HCFA FINANCIAL REPORT

Fiscal Year 1992

Health Care Financing Administration

U.S. Department of Health and Human Services

Fiscal Year 1992
HCFA Financial Report

The Chief Financial Officers Act of 1990 (Public Law 101-576) marks a major effort to improve U.S. Government financial management and accountability. In pursuit of this goal, it institutes a new Federal financial management structure and process, based upon the best practices of American business and industry. Among its provisions, the Act establishes in all major agencies the position of Chief Financial Officer, with responsibilities that include annual publication of financial statements and an accompanying report.

This *Financial Report* is HCFA's initial CFO Act submission. Its form and content follow guidance provided by the Office of Management and Budget, the Department of Health and Human Services, and the General Accounting Office. It reflects HCFA's strong support of the spirit and requirements of the CFO Act, and represents an important first effort in agency financial reporting.

U.S. Department of Health and Human Services
Health Care Financing Administration
6325 Security Boulevard
Baltimore, Maryland 21207

Health Care Financing Administration

Mission

- To finance health care services for the nation's elderly and disabled through the Medicare program.
- To finance health care services, in partnership with the States, for needy Americans through the Medicaid program.
- To assure the quality and appropriateness of services provided to Medicare and Medicaid beneficiaries.
- To oversee State regulation of private Medigap insurance to ensure that Medicare beneficiaries are afforded important consumer protections.
- To assure that Federally-qualified health maintenance organizations meet Federal quality, benefit, and financial integrity standards.

HCFA Financial Report
Fiscal Year 1992

Contents

Message from the Acting Administrator

1992 was a year of both change and continuity at HCFA.

More precisely, in 1992 we responded to continuing concerns about HCFA programs—and our continued ability to manage those programs more effectively—by instituting a number of important programmatic and management changes.

The most significant programmatic change was implementation of Medicare physician payment reform—a term that aptly characterizes the dramatic nature of the first complete overhaul of Medicare physician reimbursement since the program's 1965 inception. Under the new resource-based fee schedule, payments are more accurately matched to the actual costs of providing services. And payments for services provided by the cornerstone of American medicine—the primary care physician—increase relative to other types of physician services.

In both Medicare and Medicaid, we amplified our promotion of coordinated care as the preferred alternative to traditional, fee-for-service medicine. Coordinated care systems offer improved access, heightened quality of care, and increased efficiency. In 1992, the number of Medicaid enrollees in coordinated care plans increased 35 percent, while Medicare enrollment grew 9 percent.

Our program of 1992 management reforms was launched in March, when I became Acting HCFA Administrator.

Like other career employees, I often pondered all the things I would do if I were in charge. As Acting Administrator, I have had the unexpected but welcome opportunity to pursue some of the ideas and resolutions of my 22 years in the Federal civil service. Given my temporary tenure as acting agency head, I concentrated on a set of focused management priorities—

- Making the agency more sensitive and responsive to the needs of its customers by making it less bureaucratic, using total quality management theory and practices.
- Developing and better utilizing the agency's most valuable asset, its human resources.
- Improving agency data systems and efforts.
- Fostering more strategic thinking and planning.

I am very pleased, and frankly quite surprised, at the progress we made in each of these areas in 1992.

While HCFA previously applied *total quality management* ideas in isolated instances, in 1992 we instituted TQM as an agency-wide priority. After an eventful year of orientation sessions, intensive training, and formation of the agency's first quality councils and quality improvement teams, we are now well on the road to becoming a total quality organization.

In *human resources* management, we sought to propagate a more diversified workforce at every level of the agency. We gave unprecedented visibility, funding, and encouragement to the employee training program. We broadened our recruiting efforts. In short, we are trying to improve today's workforce and build tomorrow's.

With each passing year, our *data systems* become more integral to both the HCFA mission, and the efforts of the growing number of external researchers and decision-makers reliant upon HCFA's Medicare, Medicaid, and national health care data. In 1992, we started a multi-year venture to give data management and strategy the operational priority its growing role demands.

Strategic thinking has never been one of the Federal government's strengths. However, as the American public continues to ask government to address an ever-longer list of societal problems, we in the Federal sector must improve our strategic planning if we are to meet public expectations. Nowhere are public demands more pronounced than in health care and coverage. So, we at HCFA—by far the nation's largest purchaser of care and provider of coverage—feel especially compelled to invigorate our long-term planning process, and better prepare the agency for the challenges we will surely face.

We harbor no illusions that the future of American health care—and HCFA's role in that future—will match the assumptions of anyone's strategic plan. Accordingly, we are planning for major but unpredictable change.

HCFA looks forward to contributing to the changes America's health care system so desperately needs. As I write this message, the Clinton Administration is developing new ideas and policies, assembling a new leadership team, and setting new HCFA priorities. Mindful of the transformation at hand, perhaps my best summation of 1992 is what I look forward to telling my successor: HCFA worked hard in 1992 on initiatives that will not only help you to hit the ground running, but to keep you running, and running well. The public deserves no less.

William Toby, Jr.

William Toby, Jr.
Acting Administrator

March 1993

Message from the Chief Financial Officer

It's surprising how few Americans have heard of the Health Care Financing Administration.

Of course, many have. At the very least, HCFA is well known throughout the health care field. Many doctors, nurses, and hospital administrators are quick to say they're only too familiar with HCFA.

Persons knowledgeable about the Federal budget recognize HCFA, too. In 1992, we were the third-largest source of Federal spending. HCFA is the fastest-growing component of the budget—and if present trends continue, we'll soon be the largest.

While our name recognition may be low, nearly all Americans know our programs. Nearly one U.S. citizen in four is covered by Medicare or Medicaid.

Now, more than ever, America needs to better understand HCFA programs—their dimensions, their strengths, their shortcomings, their future. Successful health care reform, which a resolute new President and a concerned public place near the top of our national agenda, can't proceed without careful consideration of—and appropriate changes to—Medicare and Medicaid.

From my vantage point as HCFA Chief Financial Officer, 1992 was a year of mixed results. For though HCFA made great efforts and progress in improving program and financial operations, our successes tend to be drowned out by the alarming rise in Medicare and Medicaid entitlement spending.

In Medicare, higher-than-predicted increases not only aggravated current-year budget pressures. They hastened the insolvency of the Hospital Insurance Trust Fund, now projected for depletion within a decade.

In Medicaid, unabated growth in excess of 25 percent per year presents mounting challenges to Federal and State budgets. 1992 was a year of the classic Medicaid paradox. Tough economic times *increased* Medicaid eligibility rolls, and therefore Medicaid funding requirements, but *held down* Federal and State tax collections, and therefore government's ability to fund the swollen Medicaid budget.

While concerns about entitlement growth deepened, we made considerable progress on other fronts. As noted in the Acting Administrator's message, 1992 was a year of substantial reflection and focus on the future. HCFA placed a heightened premium on reinvigorating the workforce and sharpening our sense of mission. The agency committed to a philosophy of total quality management—placing customers first, empowering employees, and emphasizing continuous quality improvement.

We seek to chart the future today. For example, HCFA is at the vanguard of the data systems development so critical to any conception of health care reform and the future of medical care. 1992 was a year of demonstrated HCFA leadership in this arena, as we made more early strides towards an entirely electronic medical record and transaction processing system. HCFA understands that the health care and management data systems of the future—standard, integrated, flexible, and powerful—promise more than improved efficiency. They will provide a foundation for improved medical care.

We are proud of our many 1992 accomplishments, even while aware that they are overshadowed by serious program financing concerns. We are also aware that the future policy direction of Medicare and Medicaid rests largely with extra-agency forces, most notably the new Administration, the new Congress, and the reform steps they will take together.

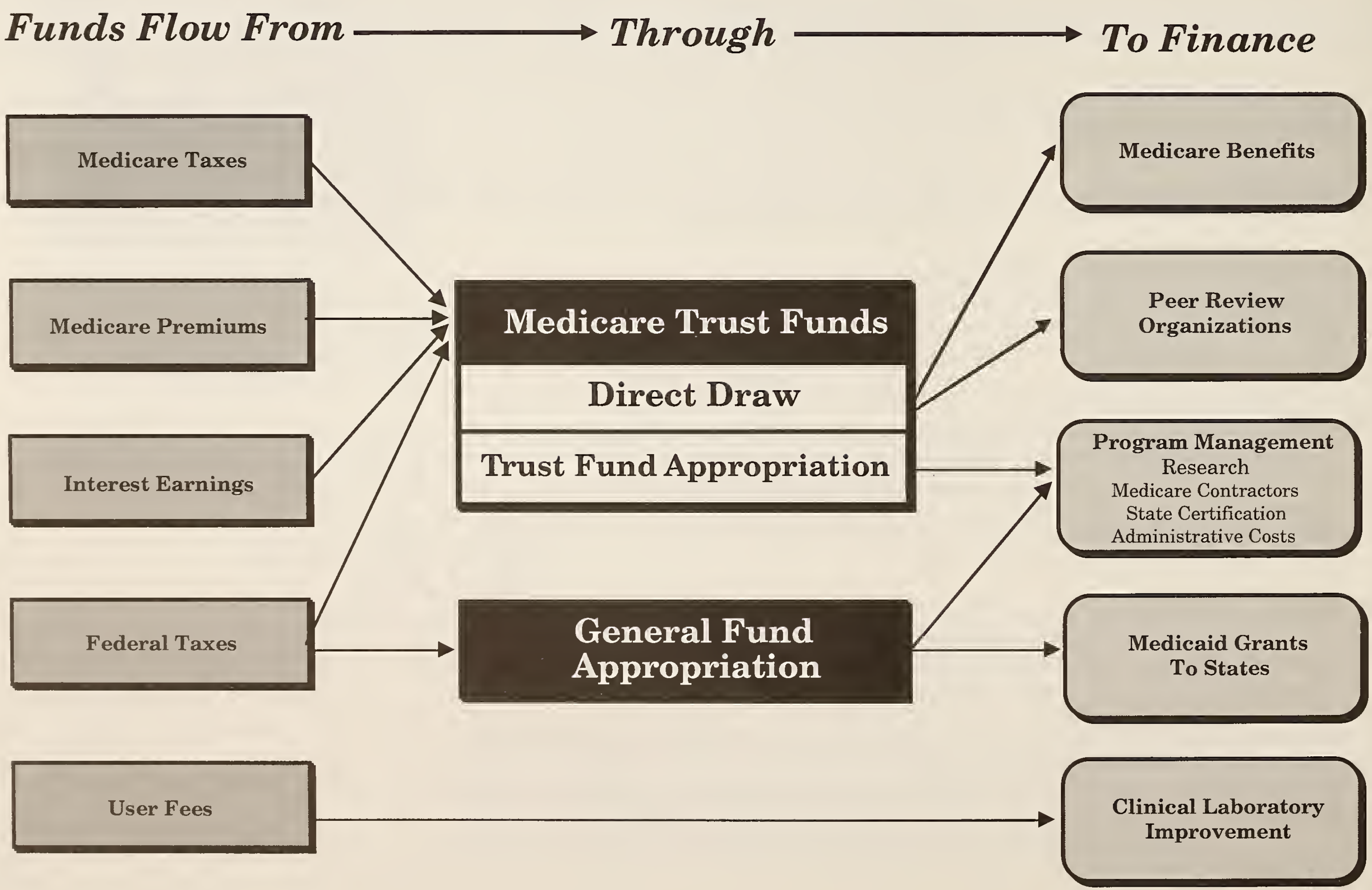
HCFA will be a part of that reform. We watch with frustration as rising medical costs pose an ever-larger threat to the HCFA mission of providing quality health care services to the nation's most vulnerable citizens—the elderly, the disabled, and the poor. Our understanding of the need for comprehensive reform is unsurpassed. We are heartened by the country's budding recognition of its health care problems and options, and we are confident in our ability to contribute meaningfully to the eventual solution.

Too often, HCFA is forced by operational necessity into a narrow focus on the Medicare or Medicaid issue of the day. It is my hope that this initial HCFA Financial Report will support a more unified look at agency operations and programs by all interested parties. A broad perspective has never been so important.

Robert A. Streimer
Chief Financial Officer

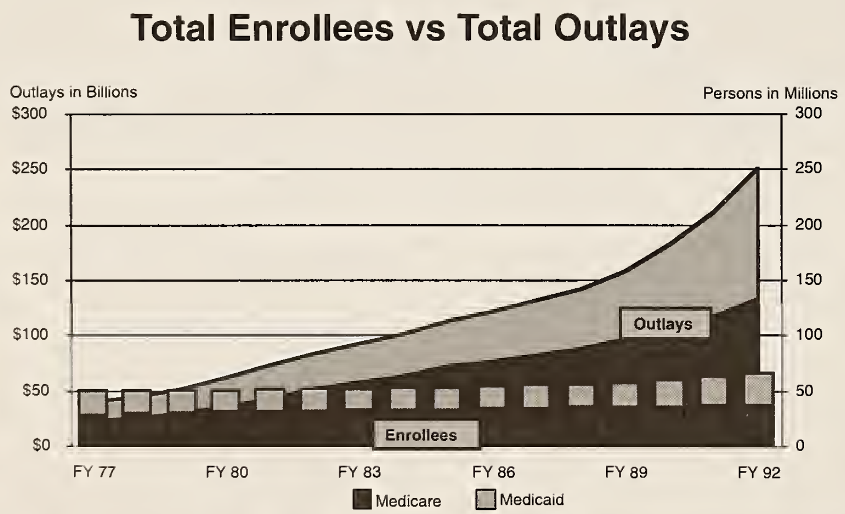
March 1993

Financing of HCFA Programs & Operations



1 Agency Profile

Agency Profile



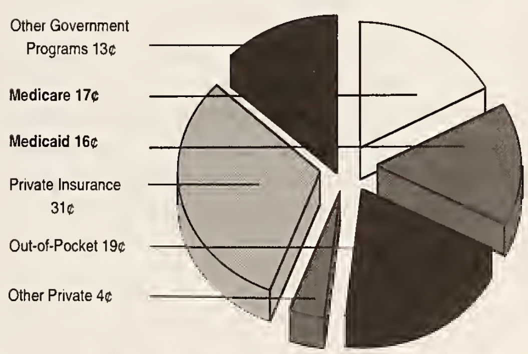
Key Fact

Since 1977, HCFA program enrollment has increased at an average annual rate of 2 percent, while annual spending growth averaged 13.5 percent.

HCFA is the world's largest health insurer, created in 1977 to vest responsibility for the Medicare and Medicaid programs in a single U.S. Government agency. It is one of four operating divisions of the Department of Health and Human Services.

Today, HCFA does much more than pay Medicare claims and provide States with Medicaid matching funds. We are in the forefront of efforts to increase access to medical services, assure and improve quality of care, and pursue the promise of technological innovation in health care and administration.

The Nation's Health Care Dollar, 1992



HCFA programs accounted for 33 cents of the average dollar spent on health care in the United States in 1992. Our programs directly served more than 60 million Americans—those enrolled in Medicare and/or Medicaid. Countless others benefitted from HCFA programs such as survey and certification, which seeks to assure the safety and quality of the nation's health care system through regulation and inspections of medical facilities, providers, and suppliers.

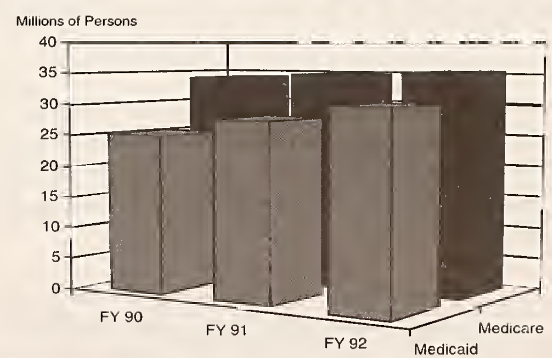
HCFA operations are very decentralized, and its workforce among the most leveraged in government. HCFA's 4,100 employees rely upon an administrative network that includes—

- 28,500 employees at 81 Medicare Contractors,
- 6,700 employees at 53 State survey agencies,
- 3,200 employees at 53 Medicare Peer Review Organizations,

plus thousands more working in State Medicaid programs, the Social Security Administration, and other Federal agencies.

2,600 employees staff HCFA central office operations in Baltimore and Washington, providing national policy direction and coordination; program guidelines and regulations; legislative initiatives; and operational, administrative, data systems and research support.

HCFA Program Enrollment



1,500 employees stationed at HCFA's 10 regional offices perform most of the agency's front-line operations, and serve as primary points of contact for program beneficiaries, contractors, State agencies, and the public.

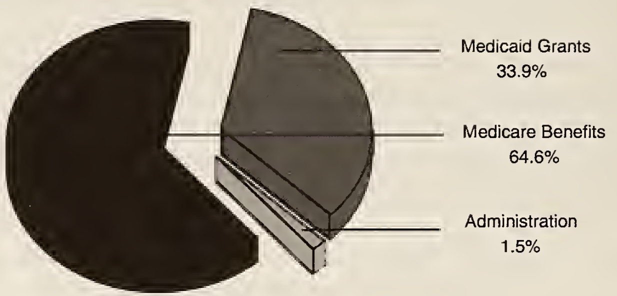
Agency spending in fiscal year 1992 exceeded $200 billion, over 14 percent of total Federal spending of $1.4 trillion. HCFA was the third-largest source of Federal outlays, surpassed only by Social Security and Defense.

FY 1992 Total Federal Spending

HCFA spending increased 17.4 percent over fiscal year 1991, six times faster than the Consumer Price Index and more than twice as fast as the CPI for medical goods and services. Medicare spending grew 13.2 percent, while Medicaid rose 29.1 percent.

Medicare benefits accounted for $129.2 billion of total HCFA spending. Grants to States for Medicaid totaled $67.8 billion. Spending on administrative and other costs was $3.1 billion.

FY 1992 HCFA Spending

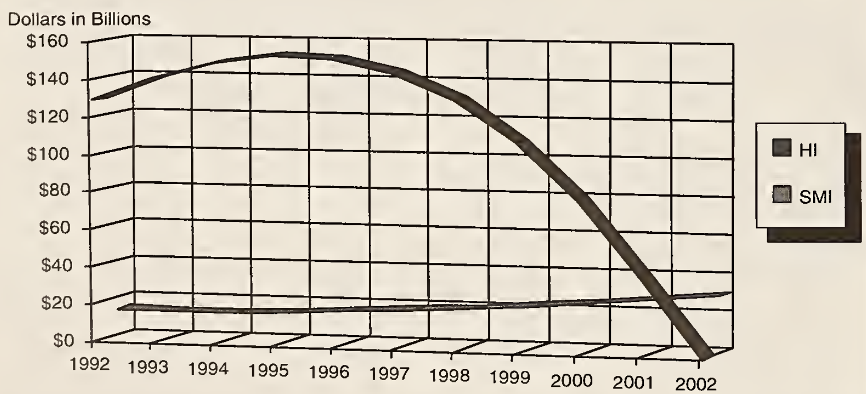


HCFA program and administrative financing, depicted in simplified terms on page 6, is a complex process that involves trust fund operations, dedicated payroll taxes, Federal general revenue appropriations, enrollee premiums, and user fees. More detailed descriptions of financing arrangements are presented in the chapters that follow.

2 Medicare

Medicare

Estimated End-of-Year Trust Fund Balances

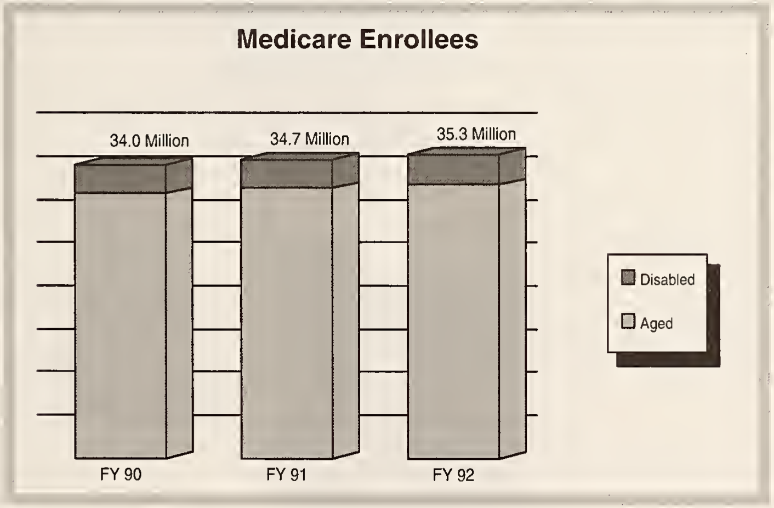


Key Fact

The 1992 Trustees report of the Hospital Insurance Trust Fund projected depletion of the fund in 2002.

Program Profile

Medicare is the health benefit program authorized by Social Security Act Title XVIII, "Health Insurance for the Aged and Disabled." Established by the Social Security Amendments of 1965, it was legislated as a complement to Social Security retirement, survivors, and disability benefits. When implemented in 1966, Medicare covered most persons 65 years of age and older. Since that time, Congress has broadened the program to cover the disabled, persons with end-stage renal disease, and certain others who elect to buy into the program.



Medicare is really a combination of two programs, each with its own enrollment, coverage, and source of financing—Hospital Insurance and Supplementary Medical Insurance.

Hospital Insurance

Hospital Insurance, also known as Medicare Part A, is generally provided automatically to persons aged 65 and over, and most disabled persons entitled to Social Security or Railroad Retirement benefits. HI pays participating hospitals, skilled nursing facilities, home health agencies, and hospice providers for covered services rendered to Part A enrollees.

Part A is financed through the HI Trust Fund, which is funded primarily through Medicare's share of the Federal Insurance Contribution Act (FICA) payroll tax. In 1992, the Medicare payroll contribution rate was 2.9 percent of taxable annual wages up to $130,200—a 1.45 percent share from both employees and their employers. Self-employed individuals contributed the full 2.9 percent.

Supplementary Medical Insurance

Supplementary Medical Insurance, also known as Medicare Part B, is available to nearly all persons aged 65 and over, and disabled persons entitled to Part A. Part B covers physician care, outpatient services, laboratory tests, durable medical equipment, some therapy services, and certain other services not covered by Part A.

SMI coverage is optional, and subject to monthly premium payments. About 95 percent of Part A enrollees elect to enroll in Part B.

The 1992 premium, set by statute, was $31.80 per month. Premiums account for approximately 25 percent of program financing. The remainder is provided by annual appropriations of general Federal revenues.

Medicare Administration

Medicare administration encompasses a wide range of integrated activities carried out by HCFA, its contractors, State governments, and other Federal agencies.

- HCFA formulates program policy and guidelines, awards and oversees operational contracts, directs quality assurance programs, and has primary responsibility for financing Medicare.
- Medicare Contractors—insurance companies under HCFA contract—process claims and carry out related local administrative functions.
- Peer Review Organizations monitor the appropriateness and quality of care provided to Medicare beneficiaries.
- State survey agencies inspect and monitor health care facilities to determine compliance with HCFA regulations.
- Other Federal agencies play key Medicare support roles. These include the Social Security Administration, which makes initial entitlement determinations, and the Treasury Department, which manages the HI and SMI trust funds.

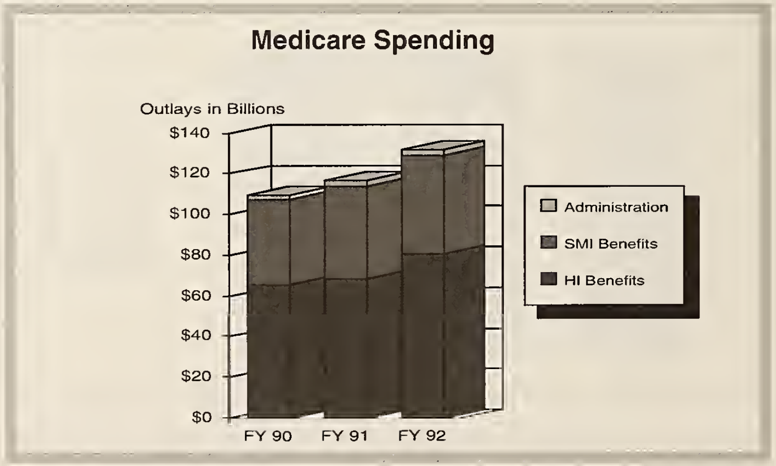
Like benefit payments, Medicare administrative costs are funded from the HI and SMI Trust Funds. Each year, Congress appropriates trust fund monies for HCFA, Medicare Contractors, and State survey agencies through the HCFA Program Management appropriation. Funding for Peer Review Organizations is provided directly to HCFA from the trust funds, outside the annual appropriations process. Medicare funding for SSA and Treasury is provided directly from the trust funds to those agencies, and is not routed through HCFA.

FY 1992 Highlights

Total Medicare outlays, including benefit payments and administrative costs, increased 13.2 percent over FY 1991. Hospital Insurance grew at a 16.6 percent rate, while Supplementary Medical Insurance rose 7.9 percent.

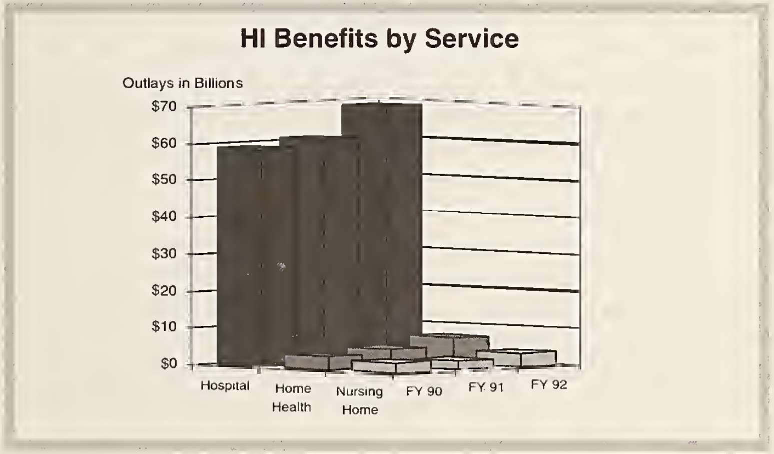
Trust Fund Outlays

Medicare Benefit Payments. Benefit payments accounted for nearly 98 percent of total spending. HI benefit payments rose 17.7 percent, and SMI benefits 6.9 percent.

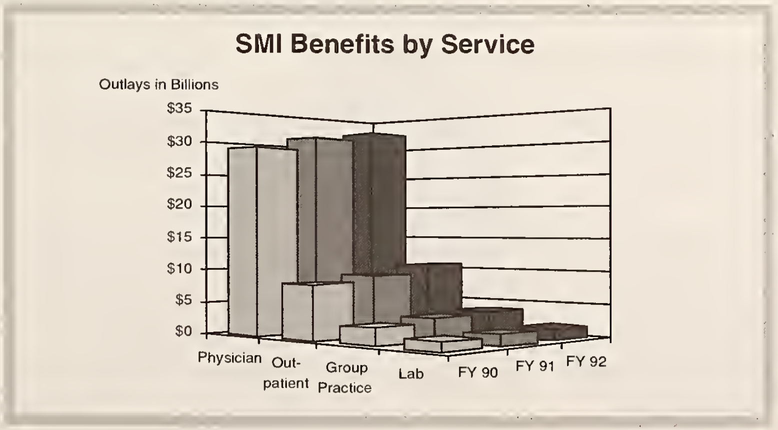


Most HI growth was due to increased payments for inpatient hospital services, which comprised more than 85 percent of HI benefits. Hospital payment growth was driven by both increased hospital admissions and higher cost per admission. Spending for skilled nursing facility care, home health care, and hospice care continued to rise at a much faster rate, but these services constitute a much smaller portion of total HI outlays.

Of the $12.1 billion increase in HI benefits, inpatient hospital spending accounted for $8.2 billion or 68 percent. Home Health comprised only 8.8 percent of total spending, but nearly 19 percent of the FY 1992 increase.

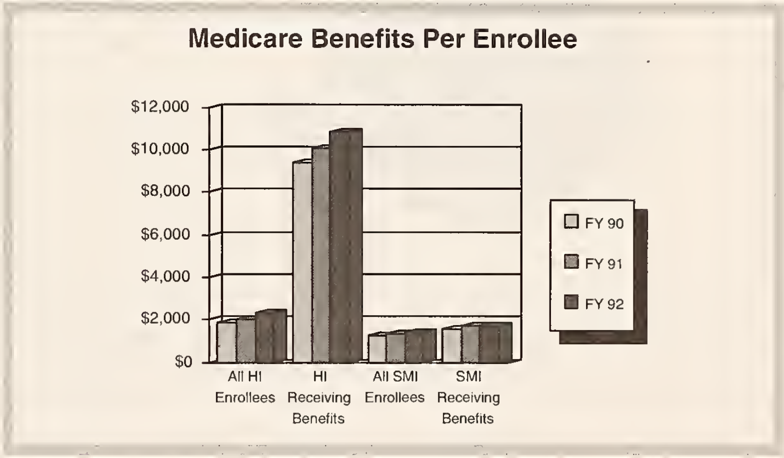


SMI benefits grew at a more modest 6.9 percent, but still far outpaced inflation. Physician services, the largest component of SMI spending, grew at a 4 percent rate, and accounted for 40 percent of the 1992 increase.



Though only constituting 22 percent of SMI benefits, payments for outpatient services accounted for more than 45 percent of FY 1992 SMI growth.

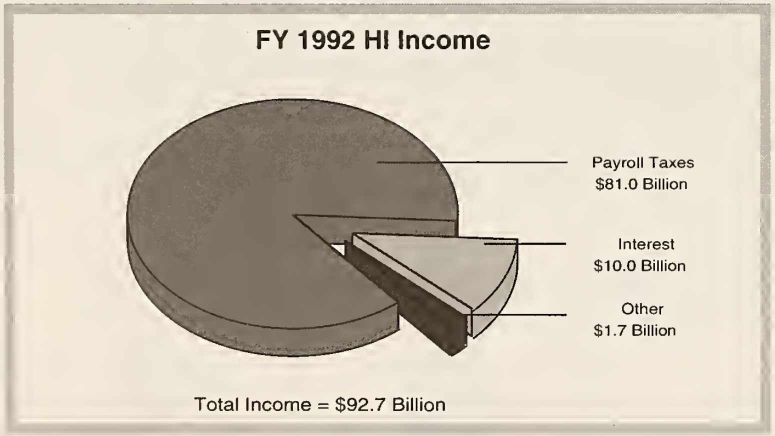
HI benefits per enrollee rose 15.7 percent to $2,341. However, less than 22 percent of HI enrollees received benefits in 1992—therefore, spending per enrollee receiving services was much higher: $10,795 per enrollee. SMI benefits per enrollee increased 4.9 percent to $1,448. Spending per enrollee receiving services was $1,732.



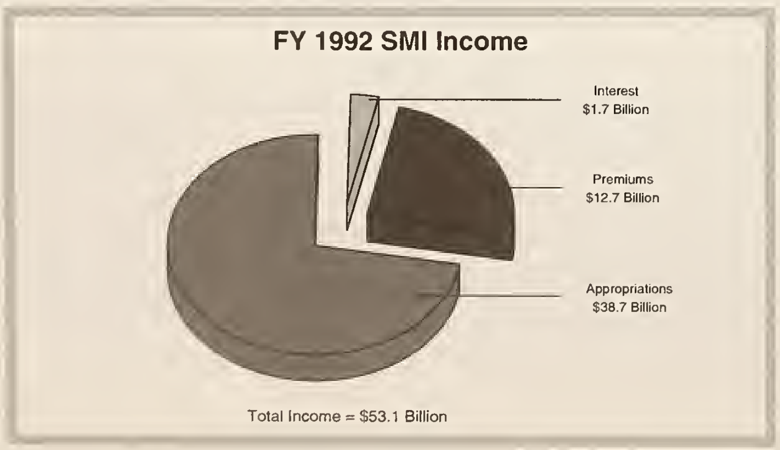
Medicare Administrative Costs. Spending on administrative, Peer Review Organization, and other non-benefit costs totaled $3.1 billion, a 13 percent increase over FY 1991. HCFA Program Management costs accounted for approximately two-thirds of FY 1992 Medicare administrative outlays. Peer Review Organization outlay comprised nearly 8 percent. The remaining one-quarter went to the Social Security Administration and other Federal agencies providing Medicare program support.

Trust Fund Income

Medicare trust fund income totaled $145.8 billion in FY 1992, a 9.5 percent increase over FY 1991. However, income growth lagged significantly behind the 13.2 percent increase in Medicare outlays.



HI Trust Fund receipts were $92.7 billion, 9.0 percent more than 1991. SMI income rose 10.3 percent to $53.1 billion.



The HI Trust Fund income to outgo ratio was $1.13 to $1.00. The SMI Trust Fund took in $1.06 for each $1.00 outlayed.

Status of the Trust Funds

The 1992 reports of the HI and SMI Boards of Trustees presented sharply contrasting projections of the two funds' financial health. Under intermediate actuarial assumptions, the HI Trust Fund will be depleted in 2002, while the SMI trust fund will remain viable for the foreseeable future.

This difference in the funds' actuarial soundness is attributable to the very different methods of financing the funds. SMI operating expenses are essentially met on a current-year basis. Most current SMI costs are financed through current year beneficiary premiums and appropriated Federal general revenues. In contrast, the HI Trust Fund relies primarily upon the payroll tax contributions of workers and their employers. Given current demographic, economic, and health expenditure trends, the present Medicare tax rate is clearly insufficient to ensure the future viability of the HI Trust Fund.

Peer Review Organizations

The PRO program, initiated in 1984, is the primary Federal effort to monitor the quality of care provided to Medicare beneficiaries.

The program's mission is to ensure that health care services are medically necessary, appropriate, provided in the proper setting, and of acceptable quality. PROs carry out their mission primarily by reviewing the medical records of a statistical sample of Medicare inpatient and outpatient hospital cases.

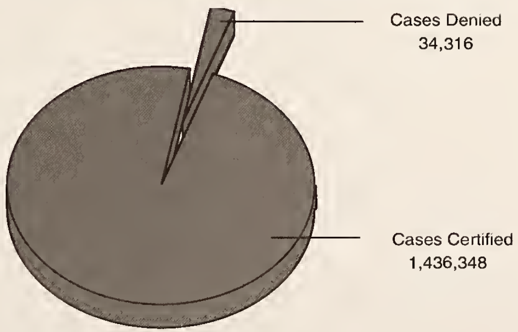
In FY 1992, HCFA administered 53 PRO contracts: one per State, the District of Columbia, the Virgin Islands, and Puerto Rico.

Under Federal budget rules, the PRO program is considered "mandatory" rather than "discretionary"—because, like Medicare benefit payments, PRO costs are financed directly from the trust funds, and are not subject to the annual appropriations process. PRO trust fund outlays in FY 1992 totaled $231.5 million, $45 million or 16 percent less than in FY 1991.

This decrease in PRO outlays is largely attributable to workload reductions. In FY 1992, PROs conducted approximately two-thirds fewer reviews than in FY 1991, primarily because HCFA instructed them to stop performing preadmission reviews, which were judged to be unproductive and inefficient.

HCFA also believes that retrospective PRO reviews have become less productive, as evidenced by a key review productivity measure, the payment denial rate.

PRO Retrospective Reviews FY 1992



Total Reviews = 1,470,664

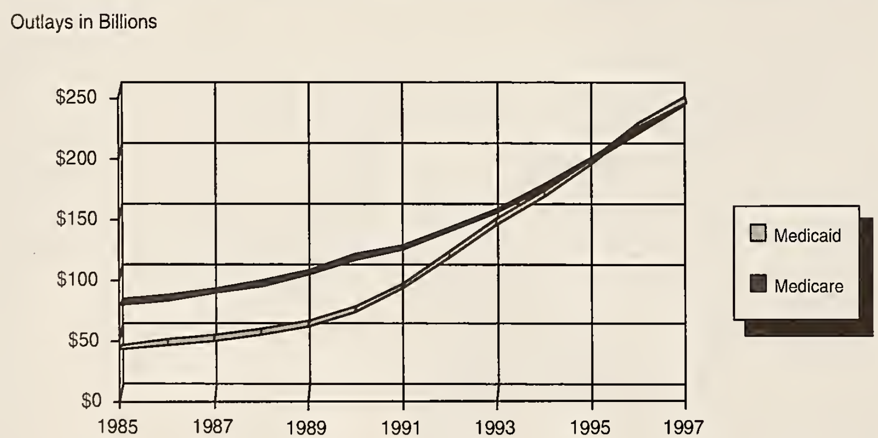
Discontinuing inefficient workloads is one key component of HCFA's larger plans to overhaul the PRO program.

HCFA is refining a new strategy, known as the Health Care Quality Improvement Initiative, to better ensure Medicare quality of care. Under HCQII, statistical and epidemiological analyses of patterns of care and outcomes will replace the current system of reviewing isolated medical records. In 1992, HCFA continued to use the experience of six pilot study PROs to chart the national implementation strategy for this ambitious new undertaking.

3 Medicaid

Medicaid

Medicare Outlays vs. Total Medicaid Outlays



Key Fact

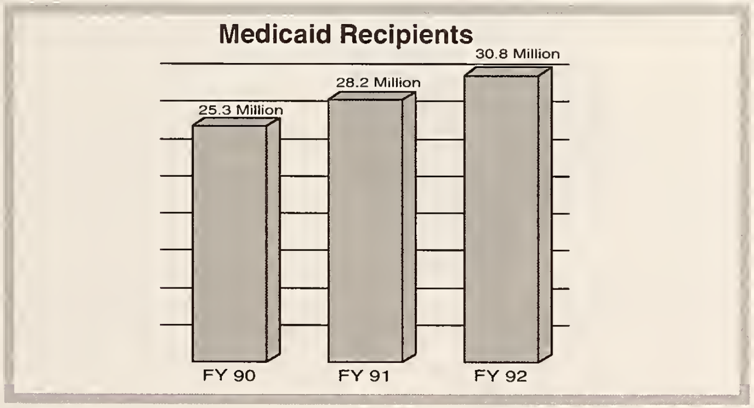
Combined Federal and State Medicaid spending is projected to surpass Medicare in 1995—through as recently as 1990, Medicare was 50 percent larger.

Program Profile

Medicaid is the means-tested health care program for low-income Americans, administered in partnership by States and the Federal government. Enacted in 1965 as Title XIX of the Social Security Act, Medicaid was originally legislated to provide medical assistance to welfare recipients. Over the years, however, Congress incrementally expanded Medicaid well beyond the traditional welfare population. Today, Medicaid is the primary source of health care for a much larger population of medically vulnerable Americans, including—

- Poor families,
- The blind and disabled, and
- Low-income elderly, disabled, and mentally retarded persons requiring long-term care.

One U.S. citizen in 9 was covered by Medicaid in fiscal year 1992.



Under Medicaid's division of responsibilities, HCFA provides matching payment grants to State governments.

- State *medical assistance payments* are matched according to a formula relating each State's per capita income to the national average. In FY 1992, the Federal matching rate ranged from 50 to 80 percent, with a national average of 57 percent.
- Federal matching rates for various State and local *administrative costs* are set by statute, and in 1992 averaged 56 percent.

Medicaid grants are funded by Federal general revenues provided to HCFA through the annual Labor/HHS/Education Appropriations Act. There is no cap on Federal matching payments to States.

States set eligibility, coverage, and payment standards within broad Federal guidelines that include—

- Providing coverage to persons receiving Aid to Families with Dependent Children (AFDC) and Supplemental Security Income, to medically needy pregnant women and young children, to low-income Medicare beneficiaries, and to certain other groups.
- Covering 13 mandatory services, including hospital treatment, laboratory tests, family planning, nursing facility services, and health screening for children under age 21.

State governments have a great deal of programmatic flexibility to tailor their Medicaid programs to individual State circumstances and priorities. Accordingly, there is a wide variation in the services offered by States. For example, 31 State Medicaid programs cover psychologist services, 47 cover dental services, and 7 cover services provided in Christian Science sanitoria.

FY 1992 Highlights

Combined Federal and State Medicaid outlays, including medical assistance and administration, totaled $118.2 billion—$67.8 billion in HCFA grants to States, and $50.4 billion in State outlays.

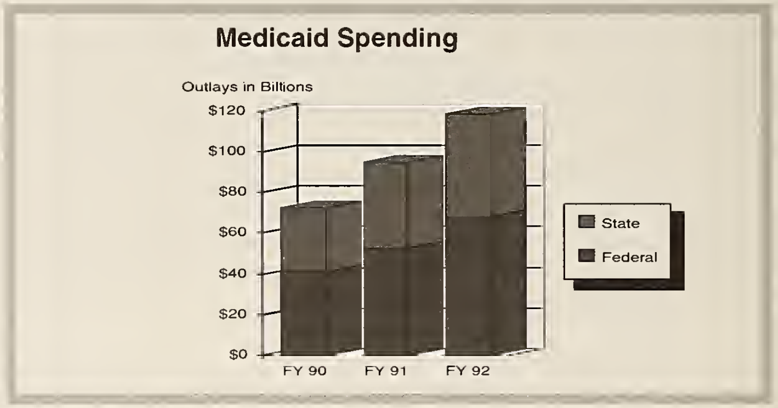
Combined Federal and State spending was $23.6 billion higher than in FY 1991, a 25 percent increase—extremely high, but well below FY 1991's 31 percent growth. Such consistently rapid growth continues to weigh down budgets at both the State and Federal levels.

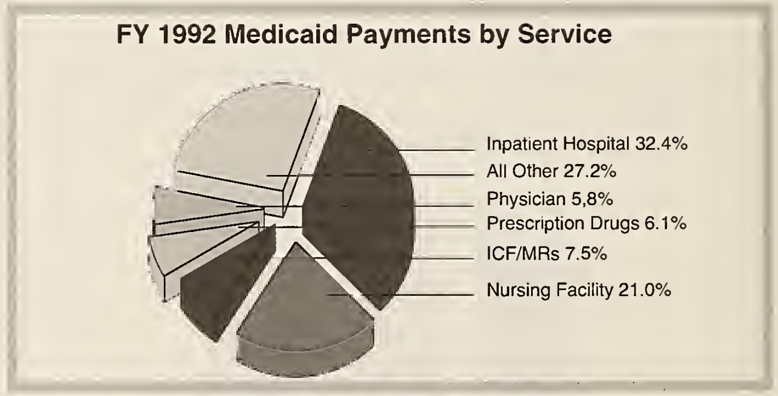
Federal Medicaid outlays increased $15.3 billion, or 29.1 percent. In the past three fiscal years, Federal spending has increased by more than two-thirds.

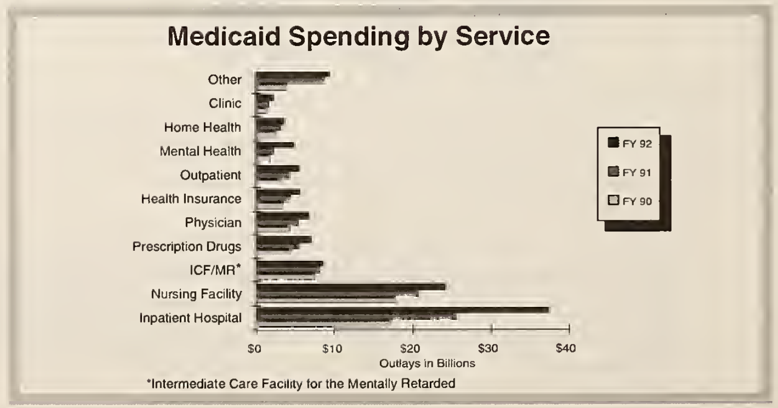
Combined Federal and State medical assistance payments totaled $115.9 billion, an increase of $25.4 billion or 28 percent. Medical assistance outlays totaled $113.8 billion. Inpatient hospital costs, which accounted for 32 percent of total spending, comprised more than 45 percent of FY 1992 growth. Hospital payments increased their share of total medical assistance payments from 28.4 to 32.4 percent. Nursing facility costs grew far less rapidly, and their share of total payments declined 2 percent.

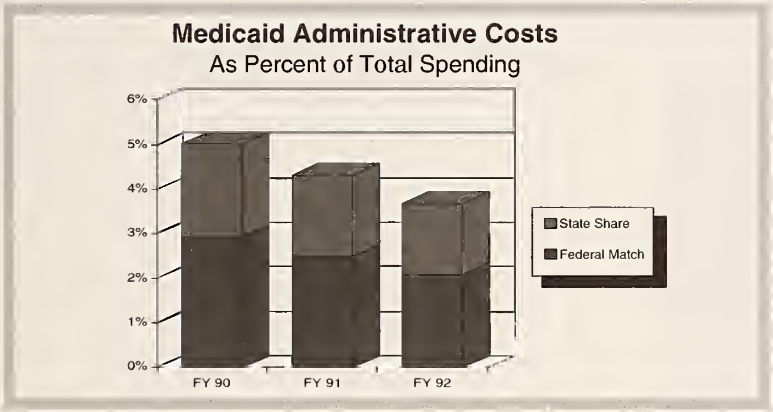
Although low-income families (primarily AFDC recipients) comprised more than 70 percent of the Medicaid population, they accounted for less than 30 percent of program spending. Children accounted for nearly 47 percent of the Medicaid rolls, but only about 15 percent of Medicaid outlays.

In contrast, the elderly and disabled made up slightly more than a quarter of the Medicaid population, but accounted for about 70 percent of program spending.







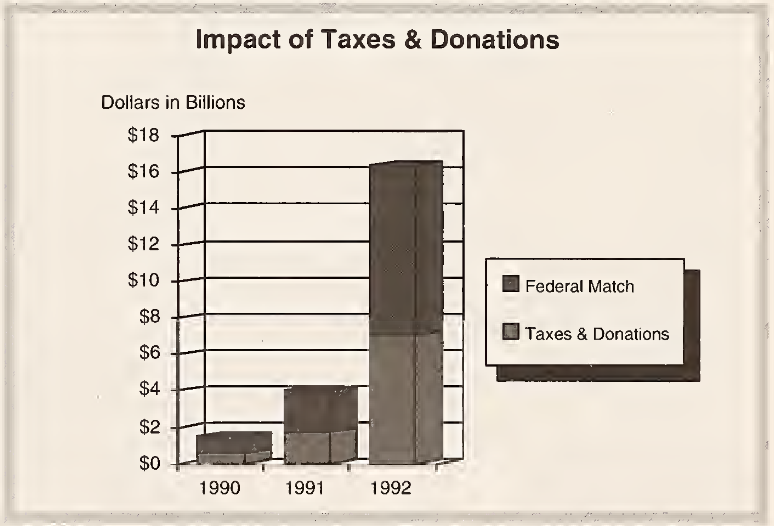


Federally—Matched State administrative spending grew 12.4 percent. Because this rate of increase was once again far below medical assistance growth, the share of total program spending devoted to administrative costs — in FY 1992, 3.6 percent— continued to decline.

Much of the recent Medicaid budget growth is driven by recipient population increases, fueled by Congressionally-mandated eligibility expansions and by the weak performance of the economy. FY 1992 saw an 11.3 percent increase in the Medicaid population, slightly less than 1991's 12 percent rise.

Other important keys to understanding the FY 1992 expenditure explosion are State "tax and donation" mechanisms and disproportionate share hospital payments.

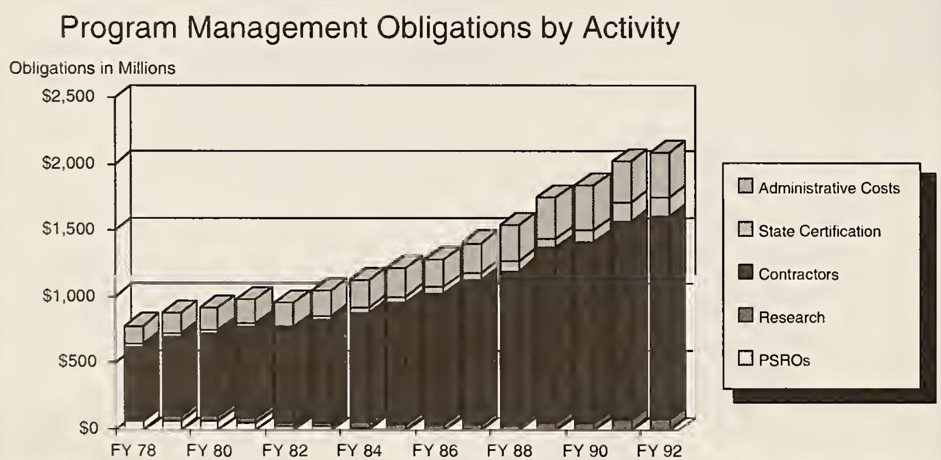
Tax and donation arrangements are methods used by States to leverage their Medicaid budgets. Under these arrangements, States increase Medicaid payments to providers, but offset increased program costs through transactions outside the Medicaid program: collections of provider "donations" or provider-specific taxes. Federal matching payment calculations do not address such offsets. They are, by statute, based only upon State medical assistance payments, which under tax and donation arrangements are increased to attract additional Federal funding. States may use some of the increased Federal funding to repay providers for their dedicated taxes and donations, and use the remainder for other State priorities. While data are difficult to collect and remain unverified, HCFA projects the 1992 impact of tax and donation arrangements at $16.4 billion, with the Federal portion totaling $9.3 billion.



HCFA estimates that most State tax and donation receipts were used to fund disproportionate share hospital (DSH) payments, although there is wide variation in the practices of individual States. Under DSH systems, States provide additional funding to hospitals with disproportionately large shares of low-income patients. By routing DSH payments through the Medicaid program, rather than funding DSH through other State programs or funding sources, States obtain significantly increased financial leverage through Federal matching payments.

4 Program Management

Program Management



Key Fact

Since FY 1978, Program Management costs have increased at an annual rate of 7.2 percent, while benefit outlays have grown 13.5 percent per year.

Program Profile

The HCFA Program Management account, funded through the annual Labor/HHS/Education Appropriations Act, supplies the agency with the resources to administer Medicare, the Federal portion of Medicaid, and other agency responsibilities. Program Management incorporates four primary budget activities, discussed individually on the pages that follow—

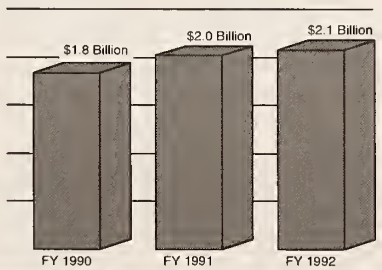
- Research
- Medicare Contractors
- Medicare State Certification
- Administrative Costs

The most salient characteristic of Program Management is the essential budgetary disconnect between it, as a discretionary account, and Medicare and Medicaid, as mandatory programs. With each passing year, it is more difficult to effectively administer rapidly expanding *entitlement* programs within appropriated *discretionary* funding, which is subject to far stricter constraints under Federal budget rules.

FY 1992 Highlights

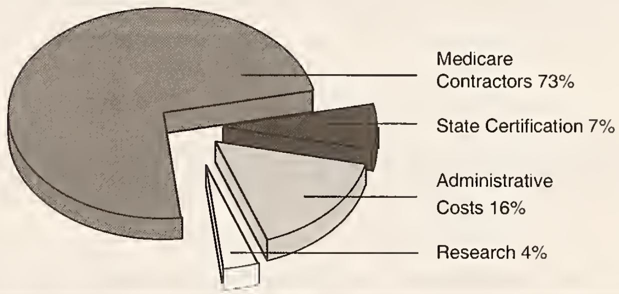
Program Management obligations increased 3.2 percent to a total of nearly $2.1 billion.

Program Management Spending



Medicare Contractor spending again dominated the account, comprising nearly three-quarters of total obligations.

FY 1992 Program Management
Obligations by Activity



As administrative budget authority continues to lag far behind rapid entitlement expansion, HCFA actively seeks better value for each appropriated Program Management dollar. In 1992, our efforts included increasing investments in human resources and total quality management; reexamining our information systems priorities; and taking fresh approaches to our contracting strategies.

However, despite agency optimism about both short and long term yields from our administrative investments and reforms, HCFA is more concerned than ever about the future prospects of the widening gulf between our responsibilities and our resources.

Research & Demonstrations

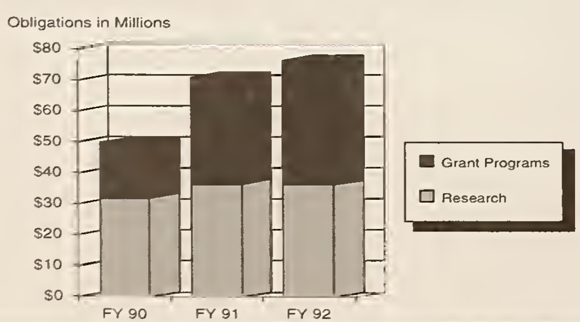
The goal of HCFA's Research, Demonstration, and Evaluation program is to provide the timely, reliable information required for informed and rational decision-making in the Medicare and Medicaid programs.

FY 1992 Highlights

This goal was pursued through 8 primary objectives—

1. To develop improved quality measures.
2. To facilitate Medicare physician payment reform.
3. To evaluate the promotion and provision of coordinated care.
4. To promote efficiencies in delivery and payment systems.
5. To increase understanding of emerging issues, particularly AIDS.
6. To explore ways to help beneficiaries become more informed consumers.
7. To improve access measures.
8. To study subacute and long-term care issues.

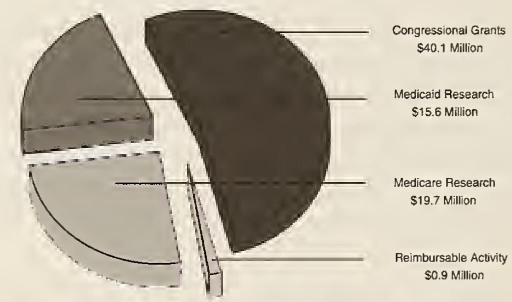
Research Spending



Toward these ends, the HCFA Office of Research and Demonstrations directed 237 extramural research projects, including 68 new projects and 169 continued from previous years. HCFA also issued 619 grants under three major grant programs.

Obligations totaled $76.4 millon, an increase of 7.9 percent over FY 1991. $36.3 million was devoted to the on-going research program, and $40.1 million to Congressional grant programs.

FY 1992 Research Activities



Grant activity included—

- *Rural Health Care Transition Grant Program*, totaling $22.8 million. Grants were awarded to 517 hospitals.
- *Essential Access Community Hospital & Rural Primary Care Hospital Grants*, totaling $7.3 million, awarded to 43 hospitals (24 new awards and 19 continuations) and 7 states (all continuations).
- *Insurance Counseling Grants*, totaling $10.0 million, awarded to 49 States, the District of Columbia, Puerto Rico, and the Virgin Islands.

HCFA made significant strides towards fulfilling its primary research objectives. Major accomplishments included—

- Refining the new resource-based Medicare Physician Fee Schedule.
- Improving hospital payment through research on reducing hospital financial risk associated with treatment of unusually expensive cases.
- Developing a nursing-home resident assessment classification system.
- Demonstrating the feasibility of a statewide coordinated care program through implementation and evaluation of the Arizona Health Care Cost Containment System.
- Developing Ambulatory Patient Groups (APGs), an outpatient classification system for Medicare, Medicaid, and other third-party payors.
- Demonstrating bundled payment alternatives combining facility and physician payment for entire episodes of care.
- Developing and implementing maternal and child health projects, including coverage expansion for children and pregnant women, utilizing models such as school-based care and managed care.

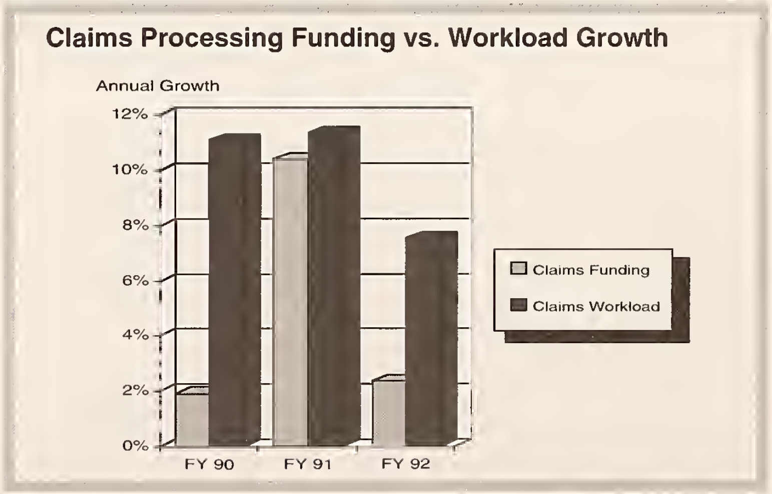
Medicare Contractors

81 HCFA contractors provide local administration of the Medicare program—paying benefit claims, responding to beneficiary and provider inquiries, auditing providers, conducting hearings and appeals, and carrying out other claims-related workloads. 48 Fiscal Intermediaries administer Medicare Part A, and 33 Carriers Part B.

In the face of rapidly growing workloads and severe funding constraints, HCFA is by necessity ever-more creative in pursuit of the Medicare Contractor program's primary goal—to increase operational efficiency while improving services to beneficiaries and providers.

FY 1992 Highlights

Medicare Contractor obligations totaled $1.5 billion, an increase of only 2 percent over FY 1991. At the same time, the Contractor's primary workload—Medicare claims, including both claims in process at the beginning of the year and new FY 1992 receipts—grew nearly 8 percent.



HCFA's Bureau of Program Operations continued to bridge the growing gap between workload and funding through claims processing unit cost reduction. Contract negotiations, special initiatives, and contractor evaluation protocols stressed the importance of lowering unit costs in individual contracts and reducing variation among contractors.

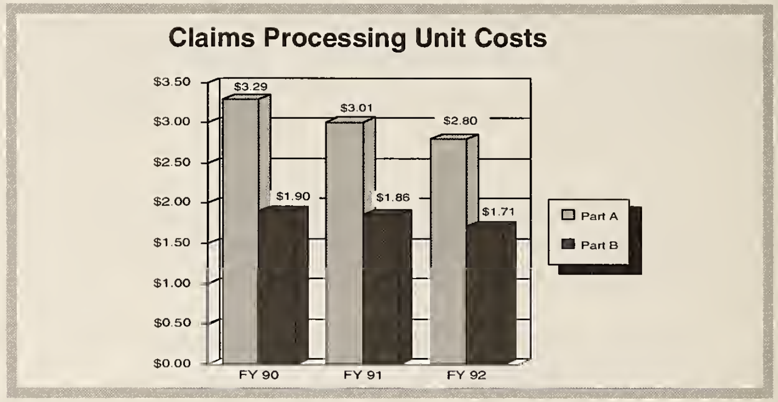
FY 1992 unit cost reduction was the result of many strategies, but two deserve special note. First, because HCFA estimates that the processing cost of an electronic claim is 50 cents below hard-copy costs, HCFA consistently pushed for—and obtained—a greater share of claims submitted via electronic media. HCFA estimates FY 1992 savings of approximately $36 million from increased electronic submission.

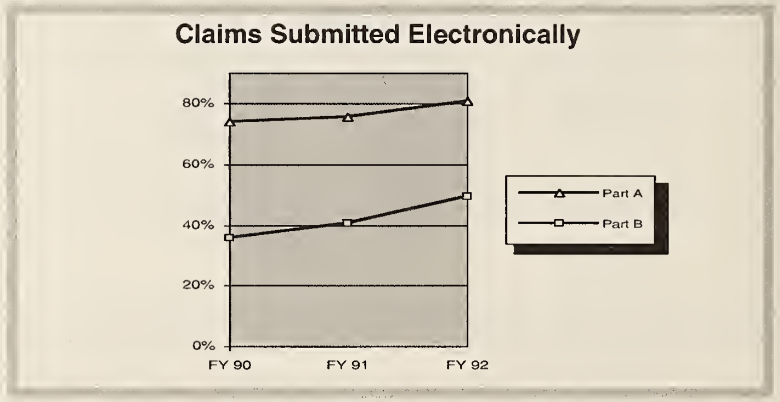
Second, HCFA set target unit costs that incorporated industrial engineering study results demonstrating that much of the variation in Contractor unit costs is attributable to differences in Contractor claims mixes. By building a workload complexity index into target unit cost calculations, HCFA was able to reduce variation by more accurately portraying each Contractors' costs relative to the national average.

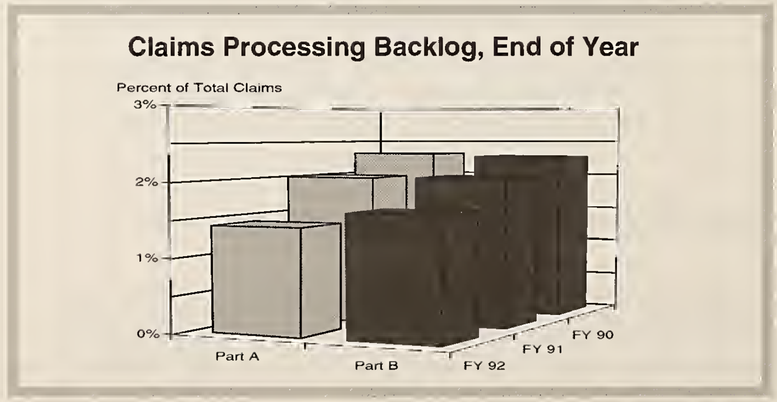
Importantly, even while lowering claims processing costs, processing backlogs decreased significantly. The end-of-year Part A backlog decreased from 1.9 million claims to 1.5 million, while the Part B backlog declined from 12.5 million to 10.8 million. As a percentage of total Medicare claims, the Part A backlog shrank from 2.0 percent to 1.4 percent, and Part B from 2.0 to 1.6 percent.

The Medicare Contractors carry out a range of activities, collectively known as Payment Safeguards, to prevent and recover inappropriate Medicare benefit payments. Payment Safeguards include—

- Medicare Secondary Payer (identification of instances where other insurance should be primary).

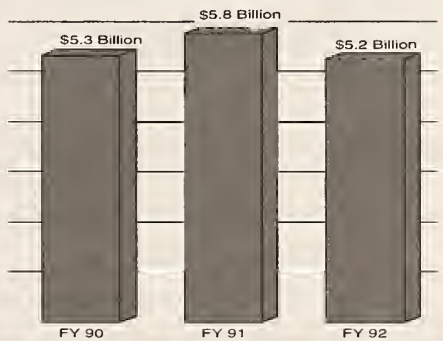






- Audits of Medicare providers.
- Medical Review andUtilization review (MR/UR).
- Fraud and Abuse detection.

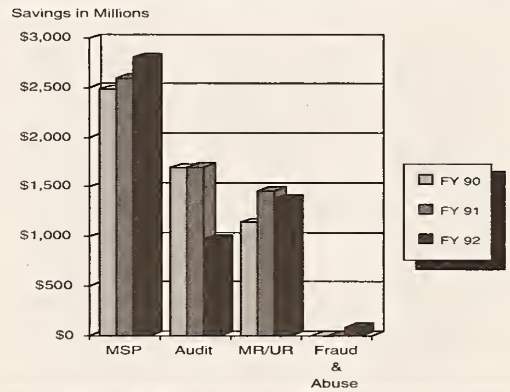
Payment Safeguards Savings



The magnitude of FY 1992 Medicare Payment Safeguards savings is impressive, with a return on investment ratio of $15 saved to $1 spent. However, total savings of $5.2 billion are nearly 9 percent below FY 1991 levels.

This reduced level of savings is attributable to funding constraints in Provider Audit and MR/UR. The 1992 experience illustrates HCFA's long-held position—supported by HHS Inspector General and General Accounting Office studies—that underfunding of Payment Safeguards has dire trust fund consequences, because of the Payment Safeguards multiplier effect. That is, each appropriated Payment Safeguards dollar leads to savings of many more trust fund dollars—in FY 1992, 15 dollars saved for each dollar invested.

Payment Safeguards Savings by Category



In addition to payment safeguard investments, HCFA made nearly $96 million in Medicare Contractor productivity investments—initiatives that encourage efficiency and improve Medicare program administration. In FY 1992, these investments included—

- Moving durable medical equipment (DME) claims processing functions from all Carriers to four specialized, regional Contractors.
- Encouraging Contractors to share maintenance and processing systems.
- Modernizing and expanding data communication systems.

Medicare State Certification

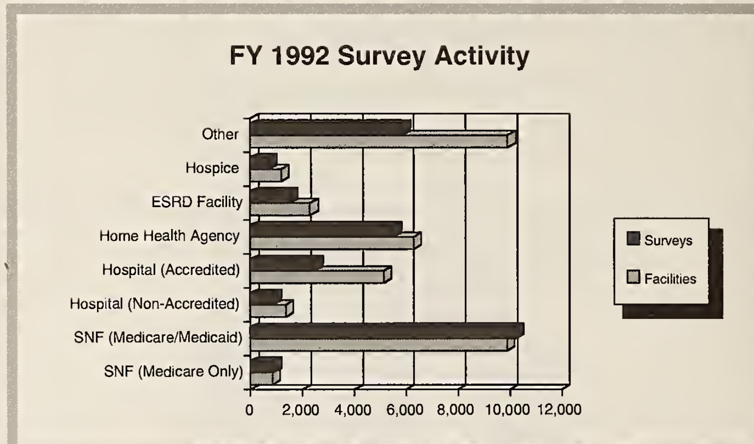
The mission of the State Certification program is to ensure that Medicare service providers and suppliers comply with Federal health, safety and program standards. To meet this goal, HCFA administers agreements with State survey agencies to conduct onsite facility inspections. Only certified providers and suppliers are eligible for Medicare payments. A companion Medicaid State Certification program is funded through the Medicaid appropriation.

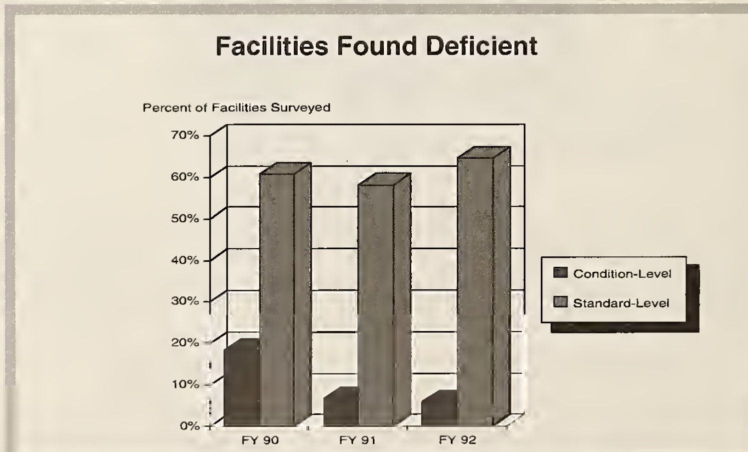
The Omnibus Reconciliation Act of 1987 (OBRA 87) dramatically altered State Certification by greatly strengthening and expanding HCFA regulation of nursing homes and home health agencies. OBRA 87 increased both the number and intensity of surveys, and is the primary reason the State Certification budget more than doubled between FY 1989 and FY 1991.

FY 1992 Highlights

Spending totaled $149.4 million, an increase of 4.7 percent over FY 1991. $138.5 million was devoted to direct survey activities, and $10.9 million to support contracts.

The number of surveys grew 3.5 percent, as State surveyors inspected more than 28,000 facilities, compared to 27,000 in FY 1991. Inspectors found 1,638 facilities out of compliance with basic Medicare conditions of program participation. These facilities represented 5.9 percent of facilities surveyed, slightly less than 1991's condition-level deficiency rate, and far below the 1990 experience. The high 1990 rate reflects pre-OBRA 87 long-term care requirements and survey protocols, and is generally not comparable to experience under the new, outcome-oriented requirements. 18,087 facilities were cited for less serious, standard-level deficiencies in FY 1992. These facilities represented 64.6 percent of facilities surveyed—a standard-level deficiency rate slightly higher than FY 1991's 58.2 percent rate.





While most facilities rectified deficiencies through verified completion of corrective action plans, 59 others were involuntarily terminated from Medicare in FY 1992. Additionally, many providers facing the threat of termination chose to voluntarily withdraw from Medicare participation.

Administrative Costs

HCFA's operating costs are funded through the Administrative Costs activity of the Program Management appropriation.

FY 1992 Highlights

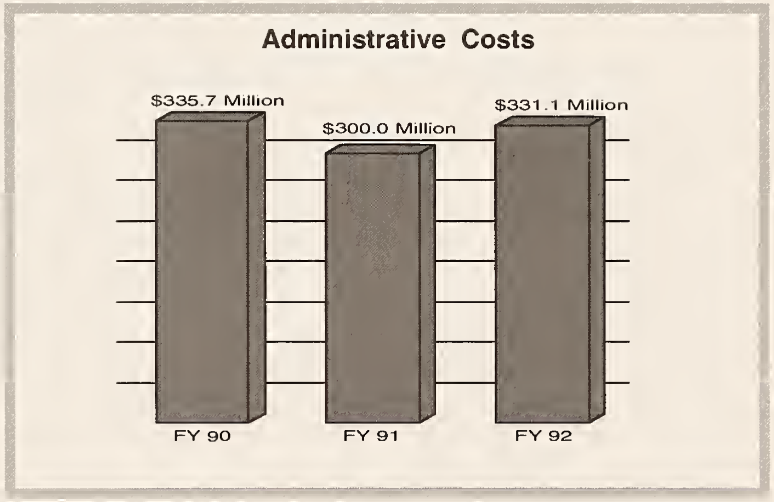
Spending totaled $331.1 million, $31.2 million or 10.4 percent above FY 1991, but 1.4 percent below the FY 1990 level.

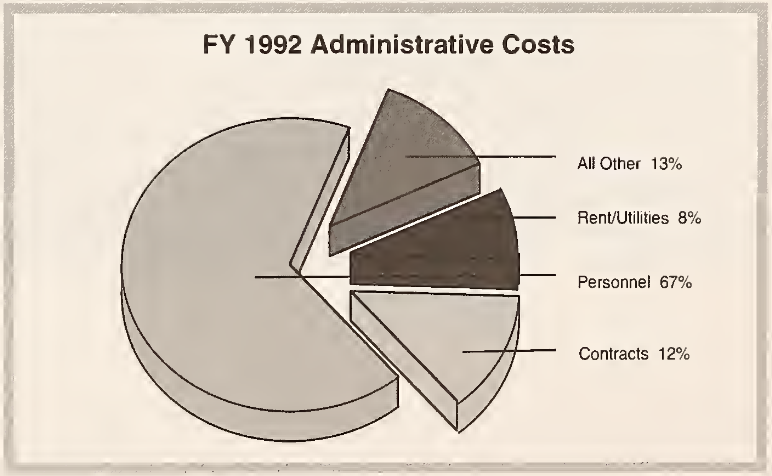
Two-thirds of FY 1992 Administrative Costs spending were devoted to the payroll and related costs of approximately 4,100 full-time equivalent employees (FTEs).

Administrative Costs encompass two major categories of resources—*human resources and information system resources*—that are particularly important to both 1992 operations and the agency's future viability.

HCFA is an information-rich organization. Internal users, other government agencies, health care and economics researchers, the Congress, and others look to HCFA for data and analytical support. In order to address growing internal and external data demands, in 1992 HCFA convened an Information Strategy Council to rethink and prioritize agency systems needs, particularly in light of strict funding constraints.

In addition to efforts to analyze, build, and efficiently utilize agency information systems, HCFA also focused on cultivating its human resources, the key to any organization's success. These efforts included employee empowerment strategies, part of the HCFA total quality management movement; an innovative training and career development program; and new recruiting initiatives.





At the beginning of the fiscal year, the National Academy of Public Administration released a Congressionally-commissioned study of HCFA personnel issues. Entitled *An Agency at Risk: An Evaluation of Human Resource Management at HCFA,* the report finds that

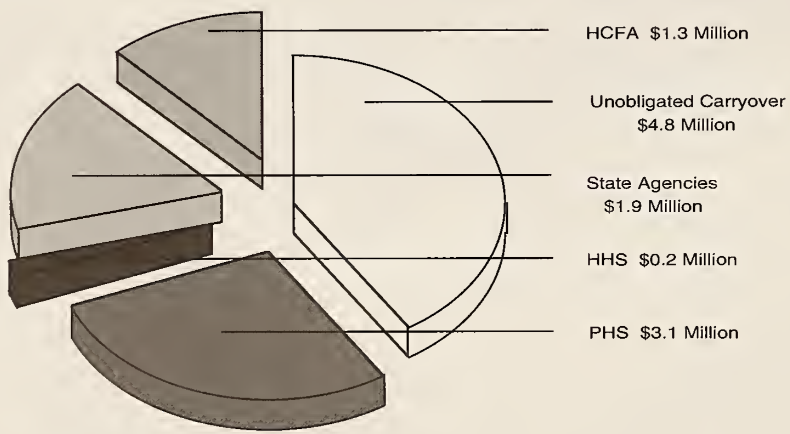
> ***HCFA is meeting its challenges reasonably well. It is clear to the panel, however, that HCFA is being stretched to and perhaps beyond its present capacity by the challenges it must meet . . . .***

HCFA staffing has not kept pace with the agency's multiplying—and increasingly complex—responsibilities. The 1992 staffing level was more than 20 percent below the 1980 level.

5 Clinical Laboratory Improvement

Clinical Laboratory Improvement

FY 1992 CLIA Collections and Uses



Key Fact

In FY 1992, HCFA collected and disbursed the first CLIA laboratory fees, which are the sole source of program funding.

Program Profile

The Clinical Laboratory Improvement Amendments of 1988 (CLIA) mark the first comprehensive Federal effort to regulate medical laboratory testing. In implementing this far-reaching legislation, the HCFA mission is to ensure the quality and reliability of laboratory testing for all Americans.

HCFA and the U.S. Public Health Service, through the Centers for Disease Control and the Food and Drug Administration, share responsibility for the CLIA program. Among its other programmatic efforts, HCFA has lead responsibility for financial management.

FY 1992 Highlights

In February 1992, HCFA and PHS issued the first set of final CLIA implementing regulations. These rules follow the statutory mandate to regulate all U.S. clinical laboratories—including those in physician offices—according to the complexity of tests performed, and to collect laboratory fees to finance the program.

The fee regulations set a schedule of biennial laboratory assessments based on the volume and complexity of tests performed by individual labs. There are three types of fees—registration fees, certificate fees and compliance determination fees. Registration and certificate fees range from $100 to $600 per lab, and compliance fees from $300 to more than $3,000.

HCFA started to collect initial registration fees and issue certificates in May 1992. By the end of the fiscal year, HCFA issued approximately 93,000 certificates and collected more than $11.3 million.

FY 1992 expenditures totaled $6.5 million, leaving an end-of-year certificate collection balance of $4.8 million.

Compliance fee collections began in early FY 1993.

HCFA continues to take the steps necessary to ensure the future financial health of the CLIA program. At the close of the fiscal year, we were responding to several developments with financial implications—

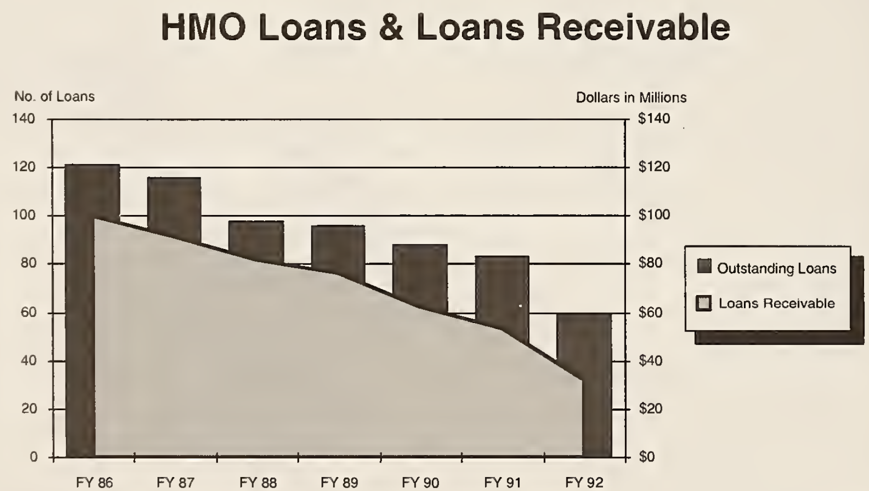
- Fewer laboratories registered for the program than expected.
- Changes to the laboratory standards regulations increased, by an unknown quantity, the number of laboratories likely to qualify for program waivers.
- Laboratories generally were registering in lower fee categories than anticipated.

HCFA and the Public Health Service are committed to responding appropriately to these and other CLIA developments, and to meeting the continuing challenges of the CLIA program.

6

HMO Loan and Loan Guarantee Fund

HMO Loan and Loan Guarantee Fund



Key Fact

In FY 1992 , there was a dramatic acceleration in the pace of HMO loan settlements. The number of outstanding loans decreased by nearly 30 percent, with a corresponding reduction of outstanding loans receivable of 40 percent. This trend may be the result of HMOs restructuring their debt at more attractive interest rates.

Program Profile

As fitting with HCFA's increasing emphasis on and responsibility for managed care, the Public Health Service's Health Maintenance Organization program was transferred to HCFA in 1985.

Included in this transfer was the Health Maintenance Organization Loan and Loan Guarantee Fund, which was established in 1975 to provide working capital to HMOs during their initial periods of operations, and to guarantee loans made by private lenders to HMOs.

The HMO Loan Fund is now essentially dormant. The last loan commitments were made in fiscal year 1983.

In its period of active operations, the fund operated as a revolving fund. Direct loans to HMOs were sold, with a guarantee, to the Federal Financing Bank (FFB). The FFB purchase proceeds were then used as capital for additional direct loans.

Currently, HCFA collects principal and interest payments from HMO borrowers, and in turn pays the FFB.

FY 1992 Highlights

As of September 30, 1992, the Fund's liabilities to the FFB significantly exceeded Fund assets.

- Assets totaled $46.8 million. They included a receivables balance (independent of written-off defaults and delinquencies) of $32.7 million, and a Treasury fund balance of $14.1 million.
- Liabilities for loan guarantees totaled nearly $59.7 million.

The $12.8 million fund deficit is the result of—

- defaults,
- an unfavorable gap between HMO interest payments to HCFA and those paid by HCFA to the FFB, and
- FFB prepayment penalties unpaid by HMOs and therefore payable by HCFA.

The end-of-year balance of defaulted loans was $9.1 million. This balance represents the Fund's commitments to FFB for 9 outstanding loans to now-bankrupt HMOs. In FY 1992, HCFA payments to FFB on behalf of defaulted accounts totaled $764,000.

HCFA finances HMO Loan Fund shortfalls through periodic appropriations of Federal general revenues. While no appropriation was requested or granted in FY 1992, Congress has provided $13.8 million for FY 1993.

Financial Statements and Notes

STATEMENT OF FINANCIAL POSITION
FOR THE PERIOD ENDING SEPTEMBER 30, 1992

ASSETS		(Dollars in Thousands)
Financial Resources		
Fund Balance With Treasury *Note 2*		$ 6,169,049
HI Trust Fund Balance *Note 2*		(13,427)
SMI Trust Fund Balance *Note 2*		1,652
Cash *Note 2*		15
Loans Receivable, Net (Non-Fed) *Note 3*		31,997
Accounts Receivable (Fed)		178,862
Accounts Receivable (Non-Fed)	$2,051,840	
Less: Allowance for Uncollectible Accounts	554,724	
Accounts Receivable, Net (Non-Fed)		1,497,116
Intragovernmental Items, (Fed)		
Interest Receivable		3,031,426
Investments *Note 5*		139,180,347
Accrued Interest Receivable, (Non-Fed)		29
Total Financial Resources		**$150,077,066**
Non-Financial Resources		
Advances and Prepayments (Non-Fed)		$ 16,871,050
Inventories Not Held For Sale		15
Property, Plant and Equipment, Net *Note 6*		30,217
Total Non-Financial Resources		**$ 16,901,282**
TOTAL ASSETS		**$166,978,348**

LIABILITIES	(Dollars in Thousands)
Funded Liabilities	
Accounts Payable (Fed)	$ 106
Accounts Payable (Non-Fed)	19,971,806
Accrued Payroll and Benefits	4,672
Liabilities For Loan Guarantees *Note 3*	59,656
Deferred Revenue (Non-Fed)	26,511
Suspense Account Deposit Funds	7,111
Total Funded Liabilities	**$ 20,069,862**
Unfunded Liabilities	
Accrued Leave	$ 17,122
Other Unfunded Liabilities *Note 8*	2,235,372
Total Unfunded Liabilities	**$ 2,252,494**
TOTAL LIABILITIES	**$ 22,322,356**
NET POSITION	
Fund Balances	
Revolving Fund Balance	$ (5,251)
HI Trust Fund Balance	110,855,581
SMI Trust Fund Balance	12,652,272
Appropriated Fund Balance	21,153,390
NET POSITION *Note 9*	**$144,655,992**
TOTAL LIABILITIES & NET POSITION	**$166,978,348**

The accompanying notes are an integral part of these statements.
Totals may not add due to rounding.

STATEMENT OF OPERATIONS AND CHANGES IN NET POSITION
FOR THE PERIOD ENDING SEPTEMBER 30, 1992

	(Dollars in Thousands)
REVENUE AND FINANCING SOURCES	
Direct Appropriations Expended	$ 106,632,733
Employment Tax Revenue *Note 10*	81,005,416
SMI Premiums Collected *Note 11*	12,783,096
Federal Matching Contributions *Note 11*	38,684,000
Revenue From Sales of Goods/Services	
CLIA User Fees	11,283
Intragovernmental	7,104
Interest & Penalties (Non-Fed)	13,175
Interest (Fed)	12,007,258
Other Revenue and Financing Sources *Note 12*	1,350,221
Less: Collections for Principal Repayments	
Transferred to the Federal Financing Bank (FFB)	6,373
Taxes and Receipts Transferred	
to the Treasury or Other Agencies	36,514
Transfers to Fund Program Management Expenses *Note 14*	2,101,560
Total Revenues and Financing Sources	**$250,349,841**
EXPENSES	
Program or Operating Expenses *Note 13*	$ 106,635,815
Medicare HI Benefit Payments *Note 13*	91,335,894
Medicare SMI Benefit Payments *Note 13*	52,711,343
Administrative Expenses *Note 14*	413,198
Depreciation and Amortization	5,041
FFB / Treasury Borrowing & Other Interest	6,409
Bad Debt Expenses	2,741
Other Expenses *Note 15*	2,150,157
Total Expenses	**$253,260,598**
Shortage of Revenues and	
Financing Sources Over Total Expenses	$ (2,910,757)
Plus: Unfunded Expenses	2,151,979
Shortage of Revenues and	
Financing Sources Over Funded Expenses	(758,778)
Net Position, Beginning Balance	$ 143,188,333
Plus Non-Operating Changes *Note 16*	2,226,437
Net Position, Ending Balance	**$ 144,655,992**

The accompanying notes are an integral part of these statements.
Totals may not add due to rounding.

STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDING SEPTEMBER 30, 1992

CASH FLOWS FROM OPERATING ACTIVITIES	(Dollars in Thousands)
Shortage of Revenues and Financing Sources Over Funded Expenses	$ (758,778)
Adjustments Affecting Cash Flow	
Appropriations Expensed	$(106,632,733)
Increase in Accounts Receivable	(3,576,558)
Decrease in Loans Receivable	6,373
Uncollected Revenue	(61,446)
Increase in Accounts Payable	15,372,651
Depreciation and Amortization	5,041
Suspense Account Deposit Funds	3,171
Other Adjustments	792
Total Adjustments	**$ (94,882,709)**
Net Cash Used by Operating Activities	**$ (95,641,487)**
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of Property, Plant and Equipment	$ (2,674)
Net Cash Used by Non-Operating Activities	**$ (2,674)**
CASH FLOWS FROM FINANCING ACTIVITIES	
Appropriations	$ 110,320,381
Add: Transfers from Medicare Trust Funds	2,101,560
Deduct: Withdrawals	1,164,629
Net Appropriations	**$ 111,257,312**
Purchase of Investments	$ (13,612,562)
Repayments on Loans from the Treasury and the Federal Financing Bank	(6,373)
Net Cash Provided by Financing Activities	**$ 97,638,377**
Net Cash Provided by Operating, Non-Operating and Financing Activities	$ 1,994,216
Fund Balances With Treasury, Cash and Foreign Currency, Beginning	4,163,074
Fund Balances with Treasury, Cash and Foreign Currency, Ending	**$ 6,157,290**

The accompanying notes are an integral part of these statements.
Totals may not add due to rounding.

STATEMENT OF BUDGET AND ACTUAL EXPENSES
FOR THE PERIOD ENDING SEPTEMBER 30, 1992

		(Dollars in Thousands)
RESOURCES		**$ 389,451,605**
Direct Obligations	$ 257,740,107	
Reimbursed Obligations	(54,339)	
TOTAL OBLIGATIONS		**$ 257,685,768**
ACTUAL EXPENSES		**$ 253,260,598**
Add:		
Capital Acquisitions		2,674
Less:		
Depreciation and Amortization		5,041
Unfunded Annual Leave Expense		1,471
Other Unfunded Expenses		2,151,427
Accrued Expenditures		$ 251,105,333
Less: Reimbursements		(43,055)
Accrued Expenditures, Direct		**$ 251,148,388**

The accompanying notes are an integral part of these statements.
Totals may not add due to rounding.

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STATEMENT OF FINANCIAL POSITION BY ACTIVITY
FOR THE PERIOD ENDING SEPTEMBER 30, 1992

(Dollars in Thousands)

	Medicare	Medicaid	HMO Loan	Program Mgmt & CLIA *Note 17*	All Others *Note 18*	Combined
ASSETS						
Financial Resources						
Fund Balance With Treasury *Note 2*		$ 3,311,083	$ 14,130	$ 121,863	$ 2,721,973	$ 6,169,049
HI Trust Fund Balance *Note 2*	$ (13,427)					(13,427)
SMI Trust Fund Balance *Note 2*	1,652					1,652
Cash *Note 2*				15		15
Loans Receivable, Net (Non-Fed) *Note 3*			31,997			31,997
Accounts Receivable (Fed)				178,862		178,862
Accounts Receivable, Net (Non-Fed) *Note 4*	1,471,799		715	596	24,007	1,497,116
Intragovernmental Items						
Interest Receivable	3,031,426					3,031,426
Investments *Note 5*	139,180,347					139,180,347
Accrued Interest Receivable (Non-Fed)					29	29
Total Financial Resources	**$ 143,671,797**	**$ 3,311,083**	**$ 46,842**	**$ 301,336**	**$ 2,746,009**	**$ 150,077,066**
Non-Financial Resources						
Advances and Prepayments (Non-Fed)	$ 1,112	$ 16,797,155		$ 72,783		$ 16,871,050
Inventories Not Held For Sale				15		15
Property, Plant and Equipment, Net *Note 6*				30,217		30,217
Total Non-Financial Resources	**$ 1,112**	**$ 16,797,155**	**$ 0**	**$ 103,015**	**$ 0**	**$ 16,901,282**
TOTAL ASSETS	**$ 143,672,909**	**$ 20,108,238**	**$ 46,842**	**$ 404,351**	**$ 2,746,009**	**$ 166,978,348**

(Dollars in Thousands)

	Medicare	Medicaid	HMO Loan	Program Mgmt & CLIA *Note 17*	All Others *Note 18*	Combined
LIABILITIES						
Funded Liabilities						
Accounts Payable (Fed)	$ 106					$ 106
Accounts Payable (Non-Fed) *Note 7*	19,961,429			$ 10,377		19,971,806
Accrued Payroll and Benefits				4,672		4,672
Liabilities For Loan Guarantees *Note 3*			$ 59,656			59,656
Deferred Revenue (Non-Fed)	26,377			134		26,511
Suspense Account Deposit Funds					$ 7,111	7,111
Total Funded Liabilities	**$ 19,987,912**	**$ 0**	**$ 59,656**	**$ 15,183**	**$ 7,111**	**$ 20,069,862**
Unfunded Liabilities						
Accrued Leave				$ 17,122		$ 17,122
Other Unfunded Liabilities *Note 8*	$ 177,142	$ 2,058,150		80		2,235,372
Total Unfunded Liabilities	**$ 177,142**	**$ 2,058,150**	**$ 0**	**$ 17,202**	**$ 0**	**$ 2,252,494**
TOTAL LIABILITIES	**$ 20,165,054**	**$ 2,058,150**	**$ 59,656**	**$ 32,384**	**$ 7,111**	**$ 22,322,356**
NET POSITION						
Fund Balances						
Revolving Fund Balance			$ (12,814)	$ 7,563		$ (5,251)
HI Trust Fund Balance	$110,855,581					110,855,581
SMI Trust Fund Balance	12,652,272					12,652,272
Appropriated Fund Balance		$ 18,050,088		364,404	$ 2,738,898	21,153,390
NET POSITION *Note 9*	**$123,507,853**	**$18,050,088**	**$(12,814)**	**$371,967**	**$2,738,898**	**$144,655,992**
TOTAL LIABILITIES & NET POSITION	**$143,672,907**	**$20,108,239**	**$ 46,842**	**$404,351**	**$2,746,009**	**$166,978,348**

The accompanying notes are an integral part of these statements.
Totals may not add due to rounding.

STATEMENT OF OPERATIONS AND CHANGES IN NET POSITION BY ACTIVITY FOR THE PERIOD ENDING SEPTEMBER 30, 1992

(Dollars in Thousands)

REVENUE AND FINANCING SOURCES	Medicare	Medicaid	HMO Loan	Program Mgmt & CLIA *Note 17*	All Others *Note 18*	Combined
Direct Appropriations Expended		$ 65,252,190		$ 1,990,177	$39,390,366	$106,632,733
Employment Tax Revenue *Note 10*	$ 81,005,416					81,005,416
SMI Premiums Collected *Note 11*	12,783,096					12,783,096
Federal Matching Contributions *Note 11*	38,684,000					38,684,000
Revenue From Sales of Goods/Services						
CLIA User Fees				11,283		11,283
Intragovernmental	1,890			5,214		7,104
Interest & Penalties (Non-Fed)			$ 6,278		6,897	13,175
Interest (Fed)	12,007,258					12,007,258
Other Revenue and Financing Sources *Note 12*	1,292,755		12,572	107	44,787	1,350,221
Less: Collections for Principal Repayments						
Transferred to the Federal Financing Bank (FFB)			6,373			6,373
Taxes and Receipts Transferred to the Treasury or Other Agencies					36,514	36,514
Transfers to Fund Program Mgmt. Expenses *Note 14*	2,101,560					2,101,560
Total Revenues and Financing Sources	**$143,672,855**	**$65,252,190**	**$ 12,477**	**$ 2,006,782**	**$39,405,537**	**$250,349,841**
EXPENSES						
Program or Operating Expenses *Note 13*		$ 65,252,190		$ 1,993,259	$39,390,366	$106,635,815
Medicare HI Benefit Payments *Note 13*	$ 91,335,894					91,335,894
Medicare SMI Benefit Payments *Note 13*	52,711,343					52,711,343
Administrative Expenses *Note 14*	413,198					413,198
Depreciation and Amortization				5,041		5,041
FFB/Treasury Borrowing & Other Interest			$ 6,409			6,409
Bad Debt Expense					2,741	2,741
Other Expenses *Note 15*	177,142	1,970,642		2,373		2,150,157
Total Expenses	**$144,637,577**	**$67,222,832**	**$ 6,409**	**$ 2,000,673**	**$39,393,107**	**$253,260,598**
Excess (Shortage) of Revenues and Financing Sources Over Total Expenses	$ (964,722)	$ (1,970,642)	$ 6,068	$ 6,109	$ 12,430	$ (2,910,757)
Plus: Unfunded Expenses	177,142	1,970,642		1,454	2,741	2,151,979
Excess (Shortage) of Revenues and Financing Sources Over Funded Expenses	(787,580)	0	6,068	7,563	15,171	(758,778)
Net Position, Beginning Balance	$124,472,553	$ 15,507,079	$ (11,698)	$ 493,476	$ 2,726,923	143,188,333
Plus (Minus) Non-Operating Changes *Note 16*	(177,120)	2,543,009	(7,184)	(129,072)	(3,196)	2,226,437
Net Position, Ending Balance	**$123,507,853**	**$18,050,088**	**$ (12,814)**	**$ 371,967**	**$ 2,738,898**	**$144,655,992**

The accompanying notes are an integral part of these statements.
Totals may not add due to rounding.

STATEMENT OF CASH FLOWS BY ACTIVITY
FOR THE PERIOD ENDING SEPTEMBER 30, 1992

(Dollars in Thousands)

CASH FLOWS FROM OPERATING ACTIVITIES	Medicare	Medicaid	HMO Loan	Program Mgmt & CLIA *Note 17*	All Others *Note 18*	Combined
Excess (Shortage) of Revenues and Financing Sources Over Funded Expenses	$ (787,580)	$ 0	$ 6,068	$ 7,563	$ 15,171	$ (758,778)
Adjustments Affecting Cash Flow						
Appropriations Expensed		$ (65,252,190)		$ (1,990,177)	$ (39,390,366)	$ (106,632,733)
Decrease (Increase) in Accounts Receivable	$ (979,492)	(2,575,063)		(22,006)	3	(3,576,558)
Decrease (Increase) in Loans Receivable			$ 6,373			6,373
Uncollected Revenue	(46,275)				(15,171)	(61,446)
Increase (Decrease) in Accounts Payable	15,376,790			(4,161)	22	15,372,651
Depreciation and Amortization				5,041		5,041
Suspense Account Deposit Funds					3,171	3,171
Other Adjustments				792		792
Total Adjustments	**$ 14,351,023**	**$(67,827,253)**	**$ 6,373**	**$ (2,010,511)**	**$(39,402,341)**	**$ (94,882,709)**
Net Cash Provided (Used) by Operating Activities	**$ 13,563,443**	**$(67,827,253)**	**$12,441**	**$(2,002,948)**	**$(39,387,170)**	**$ (95,641,487)**
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of Property, Plant and Equipment				$ (2,674)		$ (2,674)
Net Cash Used by Non-Operating Activities	**$ 0**	**$ 0**	**$ 0**	**$ (2,674)**	**$ 0**	**$ (2,674)**
CASH FLOWS FROM FINANCING ACTIVITIES						
Appropriations		$ 70,930,470			$ 39,389,911	$ 110,320,381
Add: Transfers from Medicare Trust Funds				$ 2,101,560		2,101,560
Deduct: Withdrawals		1,164,629				1,164,629
Net Appropriations	**$ 0**	**$ 69,765,841**	**$ 0**	**$ 2,101,560**	**$ 39,389,911**	**$ 111,257,312**
Purchase of Investments	$(13,612,562)					$ (13,612,562)
Repayments on Loans from the Treasury and the Federal Financing Bank			$ (6,373)			(6,373)
Net Cash Provided (Used) by Financing Activities	**$(13,612,562)**	**$ 69,765,841**	**$(6,373)**	**$ 2,101,560**	**$39,389,911**	**$ 97,638,377**
Net Cash Provided (Used) by Operating, Non-Operating and Financing Activities	$ (49,119)	$ 1,938,588	$ 6,068	$ 95,938	$ 2,741	$ 1,994,216
Fund Balances With Treasury, Cash and Foreign Currency, Beginning	37,345	1,372,495	8,062	25,940	2,719,232	4,163,074
Fund Balances with Treasury, Cash and Foreign Currency, Ending	**$ (11,774)**	**$ 3,311,083**	**$14,130**	**$ 121,878**	**$ 2,721,973**	**$ 6,157,290**

The accompanying notes are an integral part of these statements.
Totals may not add due to rounding.

STATEMENT OF BUDGET AND ACTUAL EXPENSES BY ACTIVITY
FOR THE PERIOD ENDING SEPTEMBER 30, 1992

(Dollars in Thousands)

	Medicare	Medicaid	HMO Loan	Program Mgmt & CLIA *Note 17*	All Others *Note 18*	Combined
RESOURCES	$274,122,614	$70,930,470	$6,409	$2,286,884	$42,105,229	$389,451,605
TOTAL OBLIGATIONS	$146,502,515	$69,765,841	$6,409	$2,020,637	$39,390,366	$257,685,768
ACTUAL EXPENSES	$144,637,577	$67,222,832	$6,409	$2,000,673	$39,393,107	$253,260,598
Add:						
Capital Acquisitions				2,674		2,674
Less:						
Depreciation and Amortization				5,041		5,041
Unfunded Annual Leave Expense				1,471		1,471
Other Unfunded Expenses	177,142	1,970,642		902	2,741	2,151,427
Accrued Expenditures	$144,460,435	$65,252,190	$6,409	$1,995,932	$39,390,366	$251,105,333
Less: Reimbursements	1,890			(44,945)		(43,055)
Accrued Expenditures, Direct	**$144,458,545**	**$65,252,190**	**$6,409**	**$2,040,878**	**$39,390,366**	**$251,148,388**

The accompanying notes are an integral part of these statements.
Totals may not add due to rounding.

Note 1: Summary of Significant Accounting Policies

Reporting Entity

HCFA is considered a separate reporting entity for financial reporting purposes. HCFA's financial statements conform with generally accepted accounting principles for Federal Agencies—Title 2 of the General Accounting Office's (GAO) Policy and Procedures Manual, and Office of Management and Budget Bulletin 93-02. Where HCFA standards differ from those of Title 2, the differences are explained in these financial statements.

The financial statements include the accounts of all funds administered by HCFA. These accounts include the Hospital Insurance (HI) and Supplementary Medical Insurance (SMI) Trust Funds, Clinical Laboratory Improvement Amendments (CLIA) program, Grants to States for Medicaid, Payments to the Health Care Trust Funds, the Health Maintenance Organization (HMO) Loan and Loan Guarantee Fund, and Program Management. In the financial statements, the accounts are presented as follows: Medicare, Medicaid, HMO Loan, Program Management and CLIA, and All Others. The Medicare portion of the statements includes HI and SMI Trust Fund activities administered by the U.S. Treasury.

Basis of Accounting

Transactions are recorded on both an accrual and cash method. Under the accrual method, expenses are recognized when a liability is incurred without regard to the payment of cash. Under the cash method, expenses are recognized when cash is outlayed. The Medicare program uses the cash method to record benefit payments disbursed during the fiscal year, supplemented by the accrual method to estimate the value of benefit payments incurred but not yet paid as of fiscal year-end. HCFA uses the U.S. Government's Standard General Ledger account structure.

Funds with the U.S. Treasury and Cash

HCFA does not maintain cash in commercial bank accounts. Cash receipts and disbursements are processed by the U.S. Treasury, with the exception of third party drafts primarily used to reimburse employees for travel expenses. During FY 1992, HCFA disbursed $840,299 in third party drafts. Funds with Treasury are primarily available to pay current liabilities. Cash balances held by Treasury are reconciled each month to control records maintained by HCFA.

Investments

HCFA is required by Section 201(d) of the Social Security Act to invest HI and SMI Trust Fund holdings not necessary to meet current expenditures in "interest-bearing obligations of the United States or in obligations guaranteed as to both principal and interest by the United States." These investments are carried at amortized cost as determined by the U.S. Treasury. Interest income is compounded semi-annually (June and December) and is adjusted to include an accrual for interest earned from July 1 to September 30.

Inventories

HCFA's inventories are not material and consist entirely of administrative supplies that will be consumed in HCFA operations. Administrative supplies are expensed when purchased.

Property and Equipment

Buildings used by HCFA are leased through the General Services Administration (GSA). GSA charges HCFA a Standard Level Users Charge (SLUC) that approximates commercial rental rates. Equipment is capitalized at cost if the initial acquisition cost is $5,000 or more and meets the following criteria: (1) the item is complete in itself, (2) the item does not lose its identity by being incorporated into another item of property, and (3) the item has a useful life of more than two years. Equipment with an acquisition cost of less than $5,000 is expensed when purchased. All equipment is depreciated by HCFA's Property Management System based on date of acquisition, unit cost, and life expectancy.

Annual, Sick, and Other Leave

Annual leave is accrued as it is earned and the accrual is reduced as leave is taken. To the extent current year appropriations are not available to fund annual leave earned but not taken, funding will be obtained from future appropriations. Sick leave is expended as taken.

Retirement Plan

HCFA's employees participate either in the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). Under CSRS, HCFA makes matching contributions equal to 7 percent of pay. HCFA does not report CSRS assets, accumulated plan benefits, or unfunded liabilities, if any, applicable to its employees. Reporting such amounts is the responsibility of the Office of Personnel Management.

Most employees hired after December 31, 1983 are automatically covered by FERS. Employees hired prior to January 1, 1984, can elect either to join FERS or remain in CSRS. A primary feature of FERS is that it offers a savings plan to which HCFA is required to contribute 1 percent of pay and match employee contributions up to an additional 4 percent of pay.

For employees covered by FERS, HCFA also contributes the employer's matching share of Social Security taxes.

The following table shows the amounts HCFA contributed to the retirement plans and Social Security in FY 1992.

Civil Service Retirement System	$10,481,466
Federal Employees Retirement System	4,197,845
Automatic Contribution	296,914
Matching Contribution	884,144
Social Security	5,370,951
Total Contribution	**$21,231,320**

Medicare Time Accounts

The Checks Paid Letter-of Credit method is used for reimbursing Medicare Contractors (Fiscal Intermediaries and Carriers) for the payment of covered Medicare services. Medicare Contractors issue checks against a Medicare Benefits Account maintained at private commercial banks.

In order to compensate commercial banks for handling the Medicare Benefits Accounts, Medicare funds are deposited into non-interest bearing time acounts. The earnings allowances on the time accounts are used to reimburse the commercial banks.

The essential objective of the Checks Paid Letter-of-Credit method is to maintain a zero balance in the Medicare Benefits Accounts. Therefore, time account balances are transferred to the Medicare Benefits Accounts when necessary to cover Medicare Contractor payments for Medicare services during the life of the contract and upon termination. For this reason, the funds in the time accounts are considered expenses to the Medicare program and, as such, are not reflected as assets on the Combined Statement of Financial Position.

Balances in the Medicare time accounts at the end of FY 1992 amounted to $71,151,170. Of this amount, $4,689,560 was expended during FY 1992.

Comparative Data

Comparative data for the prior year have not been presented because this is the first year for which financial statements were prepared for HCFA activities. In future years, comparative data will be presented.

Note 2: Fund Balance with Treasury (Dollars in Thousands)

	Treasury Account Symbol	Fund Balance
A. Fund Balances with Treasury		
Program Management	75_0511	$ 121,863
HMO Loan	75X4420	14,130
Medicaid	75X0512	3,311,083
SECA Credits *	75X0513	(456)
Payments to the Health Care Trust Funds *	75X0580	2,715,318
HCFA Suspense Account *	75X6875(05)	7,111
Subtotal		**$6,169,049**
B. HI Trust Fund Balance		
	7520X8005	$ (13,042)
	20X8005	(385)
Subtotal		**$ (13,427)**
C. SMI Trust Fund Balance		
	7520X8004	$ 2,572
	20X8004	(920)
Subtotal		**$ 1,652**
D. Cash		
	(41)75_0511	$ 15
Subtotal		**$ 15**
TOTAL		**$6,157,289**

* SECA Credits, Payments to the Health Care Trust Funds, and the HCFA Suspense Accounts are shown in total ($2,721,973) on "All Others" on the Combined Statement of Financial Position By Activity.

Note 3: Loans and Loan Guarantees, Non-Federal Borrowers (Dollars in Thousands)

Direct Loans Obligated Prior to FY 1992

Loan Program	Loans Receivable, Gross	Allowance for Uncollectable Loans	Loans Receivable, Net
HMO	$31,997	0	$31,997

All receivables are currently expected to be collected. All uncollectable amounts were previously written off. HCFA's outstanding liability for loans sold to FFB under this program is $59,656.

Note 4: Medicare Accounts Receivable, Net (Non-Fed) (Dollars in Thousands)

The accounts receivable for the Medicare program were reported primarily from information prepared by HCFA's Medicare Contractors. Medicare accounts receivable were reduced by an estimate for uncollectible accounts.

HI Receivables	$1,269,301
HI Allowance for Uncollectible Accounts	(312,566)
Net HI Receivables	**$ 956,735**
SMI Receivables	$ 634,316
SMI Allowance for Uncollectible Accounts	(119,252)
Net SMI Receivables	**$ 515,064**
TOTAL MEDICARE RECEIVABLES	**$1,471,799**

Medicare Receivables that were outstanding on September 30, 1992 for more than one year and did not have payment activity within that year are reported as uncollectible.

Medicare receivables include $32,517 for noncurrent receivables that are due after September 30, 1993.

Note 5: Investments (Dollars in Thousands)

U. S. Treasury Special Issues are special public obligations for exclusive purchase by Trust Funds. Special issues are always purchased and redeemed at face value. The face value less amounts retired for use by the programs is the net amount outstanding reported in the Combined Statement of Financial Position. The following schedule summarizes the nature and amount of investments in the Medicare Trust Funds. See Statement of Accounts for HI and SMI Trust Fund Investments (in Supplemental Information section) for a detailed description of the holdings.

	Interest Range	Value
HI Certificates	6 5/8 - 6 3/4%	$ 846,655
HI Bonds	7 3/8 - 13 3/4%	119,799,879
Total HI Investments		**$120,646,534**
SMI Bonds	7 3/8 - 13 3/4%	$ 18,533,813
Total SMI Investments		**$ 18,533,813**
TOTAL MEDICARE TRUST FUND INVESTMENTS		**$139,180,347**

Note 6: Property, Plant and Equipment, Net (Dollars in Thousands)

	Acquisition Value	Net Accumulated Depreciation	Book Value
Classes of Fixed Assets			
A. Structures, Facilities, & Leasehold	$ 9	$ 5	$ 4
B. Equipment	46,861	16,648	30,213
TOTAL	**$46,870**	**$16,653**	**$30,217**

The straight-line depreciation method is used for all equipment and the range of service life is estimated to be 6 to 10 years.

Note 7: Medicare Accounts Payable (Non-Fed) (Dollars in Thousands)

The accounts payable for the Medicare program includes information that was prepared by Medicare Contractors and HCFA's Office of the Actuary. Categories and amounts of Medicare accounts payable are listed below.

HI Payables	
Outstanding Checks (1)	$ 987,180
Claims Pending (2)	3,778,362
Excess Recoupments/Other (3)	67,559
Demonstration Projects	12,711
Health Maintenance Organizations	830,805
Incurred Benefits (4)	7,633,458
Total HI Payables	**$13,310,075**
SMI Payable	
Outstanding Checks (1)	$ 1,166,758
Claims Pending (2)	2,271,779
Excess Recoupments/Other (3)	36,500
Demonstration Projects	14,426
Health Maintenance Organizations	1,015,428
Incurred Benefits (4)	2,146,463
Total SMI Payables	**$ 6,651,354**
TOTAL MEDICARE PAYABLES	**$19,961,429**

(1) Under the Checks Paid Letter-of-Credit method of reimbursing Medicare Contractors for the payment of covered Medicare services, trust funds are drawn when the benefit checks are presented for payment at the Contractors' commercial banks. Outstanding Checks is the value of checks written by the Medicare Contractors for covered services that were not presented for payment as of September 30, 1992.

(2) Claims Pending is the estimated value of Medicare claims that have been received by Medicare Contractors but were not processed for payment as of September 30, 1992.

(3) Excess Recoupments are the amounts collected by Medicare Contractors in excess of accounts receivable. This situation may occur when an offset against a claim is processed and a payment is also received. Providers are due refunds for these amounts.

(4) HCFA's Office of the Actuary develops an estimate of accumulated Medicare services performed but not paid through September 30, 1992. The Actuary's estimate includes Outstanding Checks and Claims Pending, and has been reduced by these amounts.

Note 8: Other Unfunded Liabilities (Dollars in Thousands)

	Medicare HI	Medicare SMI	Medicaid	Program Mgmt & CLIA	Combined
Audit Disallowances Under Appeal				$80	$ 80
Program Disallowances Under Appeal			$1,400,428		1,400,428
Program Deferrals			657,722		657,722
Medicare Claims Under Appeal	$17,640	$159,502			177,142
Total Expenses by Object Class	**$17,640**	**$159,502**	**$2,058,150**	**$80**	**$2,235,372**

Unfunded liabilities consist of contingent payables that have been established as a result of audit disallowances, Medicaid program disallowances, and claims for denied Medicare services currently being appealed. In all cases, the funds have been returned to HCFA. Accordingly, HCFA will be required to pay these amounts if the appeals are decided in the favor of the claimant. In addition, certain amounts for payment have been deferred under the Medicaid program. Amounts for payment are deferred when there is a reasonable doubt as to the legitimacy of expenditure claims by a State. HCFA defers the payment of these claims until the State provides additional supporting data.

Note 9: Net Position (Dollars in Thousands)

	Medicare HI	Medicare SMI	Medicaid	Program Mgmt & CLIA	HMO Loan	All Others	Combined
Unexpended Appropriations							
Unobligated	$110,620,173	$12,609,771		$(139,115)	$(12,814)	$2,738,898	$125,816,913
Undelivered Orders	235,408	42,501	$20,108,238	498,067			20,884,214
Invested Capital				30,217			30,217
Less: Unfunded Liabilities			2,058,150	17,202			2,075,352
Total	**$110,855,581**	**$12,652,272**	**$18,050,088**	**$ 371,967**	**$(12,814)**	**$2,738,898**	**$144,655,992**

Note 10: Employment Tax Revenue

In calendar year 1992, all employees and employers were required to pay 1.45 percent of employees' salaries up to a maximum wage of $130,200 to the HI Trust Fund.

The Social Security Act requires the transfer of these contributions, computed on certified wages, from the general fund of the U. S. Treasury to the HI Trust Fund based on the records of wages established and maintained by the Secretary of Health and Human Services. The Social Security Administration performs the wage certification function that determines the amount of the transfer to the HI Trust Fund.

Employment tax revenues are adjusted by excess contributions collected that are refunded to employees. HI Trust Fund employment tax revenue and refunds in FY 1992 as reported by the U. S. Treasury are listed below.

	(Dollars in Thousands)
Employment Tax Receipts	$81,059,066
Refund of Employment Receipts	(53,650)
Employment Taxes, Net	**$81,005,416**

Note 11: SMI Premiums Collected and Federal Matching Contribution

SMI benefits and administrative expenses are financed by monthly premiums paid by enrollees and an appropriated Federal general revenue contribution. The Omnibus Budget Reconciliation Act of 1990 set specific monthly premium levels for five calendar years beginning in 1991. The monthly premium, set by law, was $31.80 in calendar year 1992, and covered 25.2 percent of the program's 1992 estimated incurred costs.

Funding of $38,684,000,000 was provided for Federal matching of enrollee premiums in fiscal year 1992. This represents approximately a Federal match of $3 to every $1 collected in premiums.

Note 12: Other Revenues and Financing Sources (Dollars in Thousands)

	Medicare HI	Medicare SMI	HMO Loan	Program Mgmt & CLIA	All Others	Combined
Gains from Sale of Equipment				$107		$ 107
Civil Monetary Penalties					$10,675	10,675
Interest					32,887	32,887
Freedom of Information Act, Sale of Publications, Miscellaneous Recoveries and Refunds					1,225	1,225
Miscellaneous	$ 238	$669				907
Gifts	22	22				44
Principal Payments			$12,572			12,572
Premiums-Uninsured Individuals	495,606					495,606
Transfer-Uninsured Coverage	737,485					737,485
Military Service Contribution	86,146					86,146
Income Tax Credit Reimbursement	(31,119)					(31,119)
Deposits By States	3,686					3,686
Total Other Revenue	**$1,292,064**	**$691**	**$12,572**	**$107**	**$44,787**	**$1,350,221**

Note 13: Program/Operating Expenses (Dollars in Thousands)

	Medicare HI	Medicare SMI	Medicaid	Program Mgmt & CLIA	All Others	Combined
Operating Expenses by Object Class:						
Personal Services and Benefits				$ 223,865		$ 223,865
Travel and Transportation				4,715		4,715
Rental, Communication and Utilities				25,211		25,211
Printing and Reproduction				5,988		5,988
Contractual Services	$ 215,113	$ 53,819		1,687,054		1,955,986
Supplies and Materials				1,998		1,998
Equipment not Capitalized						
Grants, Subsidies and Contributions			$65,251,770	44,125	$39,390,366	104,686,261
Insurance Claims and Indemnities	91,120,781	52,657,524	420	303		143,779,028
Total Expenses by Object Class	**$91,335,894**	**$52,711,343**	**$65,252,190**	**$1,993,259**	**$39,390,366**	**$250,683,052**

Note 14: Administrative Expenses (Dollars in Thousands)

The U. S. Treasury outlayed trust funds to cover payments for administrative costs incurred in carrying out Medicare programs per the following schedule.

HI	
Treasury Administrative Expense	$ 36,224
Salaries & Expenses:	
Social Security Administration (SSA)	368,104
Office of the Secretary - DHHS	18,656
Construction Expense - SSA	948
Payment Assessment Commission	3,681
Railroad Retirement Commission	(336,800)
Policy and Research	3,536
Total HI Administrative Expense	**$ 94,349**

SMI	
Treasury Administrative Expense	$ 3,125
Salaries & Expenses:	
Social Security Administration (SSA)	292,637
Office of the Secretary - DHHS	14,559
Construction Expense - SSA	762
Professional Standards Review	267
Payment Assessment Commission	545
Railroad Retirement Commission	4,503
Policy and Research	2,451
Total SMI Administrative Expense	**$318,849**
TOTAL MEDICARE TRUST FUND ADMINISTRATIVE EXPENSE	**$413,198**

For purposes of financial statement presentation, administrative costs are considered expensed to the Medicare Trust Funds when outlayed by the U. S. Treasury even though some funds may have been used to pay for assets such as property and equipment. In this regard, the Social Security Administration (SSA) reported $84.9 million in net assets attributable to the Medicare program as of September 30, 1992. This amount is not included in the Combined Statement of Financial Position as assets related to the Medicare program. Amounts drawndown by SSA during FY 1992 to pay for this activity are included in this section as administrative expenses.

During FY 1992, funds were transferred from the HI and SMI Trust Funds as necessary to pay for Program Management expenses. A total of $2,101,560 in HCFA expenses was reported by the U.S. Treasury for this purpose. These expenses and the revenue transferred to pay for them are reported under Program Management, not Medicare.

Note 15: Other Expenses (Dollars in Thousands)

	Medicare HI	Medicare SMI	Medicaid	Program Mgmt & CLIA	Combined
Medicare Claims Under Appeal (Contingent)	$17,640	$159,502			177,142
Program Deferrals (Contingent)			657,722		$ 657,722
Program Disallowances Under Appeal (Contigent)			$1,312,920		1,312,920
Accrued Leave				$1,455	1,455
Loss on Disposition of Equipment				918	918
Total Expenses	**$17,640**	**$159,502**	**$1,970,642**	**$2,373**	**$2,150,157**

Medicare claims under appeal, Medicaid program deferrals and program disallowances under appeal are unfunded contingent liabilities. As discussed in Note 8, Other Unfunded Liabilities, Medicare claims and Medicaid program disallowances under appeal will be paid if the appeals are decided in favor of the claimant. Medicaid program deferrals will be paid if states provide additional data to support the legitimacy of an expenditure claim.

Note 16: Non-Operating Changes (Dollars in Thousands)

	Medicare HI	Medicare SMI	HMO Loan	Medicaid	Program Mgmt & CLIA	All Others	Combined
Principal Repayments Exceeding Reimbursements to the FFB			$(7,184)				$ (7,184)
Current Year Expenses Exceeding Trust Fund Reimbursements (1)					$(130,464)		(130,464)
Current Year Warrants Exceeding Appropriated Capital Used (3)				$4,513,651		$ (456)	4,513,196
Decreases (Increases) in Future Funding Commitments (2)	$(17,618)	$(159,502)		(1,970,642)	(1,455)	(2,741)	(2,151,958)
Federal Property In Custody of Others (Not Previously Recorded)					2,847		2,847
Total Non-Operating Charges	**$(17,618)**	**$(159,502)**	**$(7,184)**	**$ 2,543,009**	**$(129,072)**	**$(3,196)**	**$2,226,437**

(1) In order to maximize interest earnings, Medicare Trust Funds are drawndown only as needed to cover cash outlays. The negative amounts shown in the "Current Year Expenses Exceeding Trust Fund Reimbursements" column reflect accrued expenditures that were included on line 1 of the Combined Statement of Operations and Changes in Net Position By Activity as expensed appropriations, but were not outlayed and therefore not reimbursed by the trust funds.

(2) Increases in Future Funding Commitments reflect unfunded expenses that were not included on Line 1 of the Combined Statement of Operations and Changes in Net Position as expensed appropriations but were closed at fiscal year-end to the fund balance accounts (3000 series SGL accounts).

(3) The U.S. Treasury processed a warrant and related transaction in the amount of $228 (Appropriation 75X0513) incorrectly. This created the negative fund amount of $456. This error occurred in September and was corrected by Treasury in October, 1992.

Note 17: Program Management Appropriation

The Program Management appropriation provides HCFA with the capacity to administer and oversee the Medicare and Medicaid programs. The funds for this activity are primarily provided by transfers from the HI and SMI Trust Funds and Federal general revenues. In addition, user fees collected from Health Maintenance Organizations seeking Federal qualification are credited to this appropriation. During FY 1992, the Payments to the Health Care Trust Funds appropriation paid the Medicare Trust Funds $116,485,000 to cover the Medicaid program's share of HCFA administrative costs. HCFA's cost allocation system determines the proper distribution of funds between the funding sources. All expenses chargeable to the Program Management appropriation are reflected against the financial statements for this activity.

Included in the obligation figures for the Program Management appropriation are amounts for goods and services ordered but not yet received (undelivered orders). Total undelivered orders amounted to $320,324,996 for FY 1992. Additional undelivered orders amounted to $174,917,182 for all prior fiscal years.

Funds are obtained from the HI and SMI Trust Funds as cash is needed to pay for Program Management appropriation expenses. During FY 1992, a total of $2,101,559,681 was obtained from the Trust Funds to cover cash outlays. Of this amount, $1,921,156,229 was for amounts obligated in FY 1992 and $180,403,452 for amounts obligated in prior years.

Note 18: All Others

The following accounts are reported in the "All Others" column of the financial statements by activity.

1) SECA Credits (75X0513)
The Self-Employment Contribution Act provides for tax credits from the general funds of the Treasury. These credits represent the difference between the statutory SECA and the actual tax rate paid by the self-employed. The amounts reported in FY 1992 are adjustments to tax years 1984 through 1989.

2) Payments to the Health Care Trust Funds (7520580)
The Social Security Act provides for payments to the Health Care Trust Funds for Supplementary Medical Insurance (appropriated funds to provide for federal matching of SMI premium collections), Hospital Insurance for the Uninsured and Federal Uninsured Payments. For purposes of financial statement presentation and account reconciliation, expenses in this appropriation are also included in Medicare revenue. Therefore, HCFA combined activity is overstated by $39,390,366,000.

3) Suspense (75X687505)
Agencies are required to deposit receipts expeditiously. Unidentified collections are deposited into a suspense account for immediate availability to Treasury while HCFA researches the actual application of funds.

4) Miscellaneous Fines, Penalties and Forfeitures (7521099)
Civil monetary penalties and Freedom of Information administrative fees are assessed on overdue payments.

5) Interest Receipts (7521435)
Interest resulting from debt collection is deposited to Treasury miscellaneous receipt accounts.

6) General Fund Receipts (7523220)
The Freedom of Information Act provides for the proceeds from the sale of publications to be deposited to Treasury miscellaneous receipt accounts along with other miscellaneous recoveries and refunds.

Supplemental Information

TOTAL OUTLAYS

(Dollars in Millions)	FY 1990	FY 1991	FY 1992
Medicare Benefits:			
HI	$65,721	$68,486	$80,584
SMI	41,450	45,456	48,595
Total	$107,171	$113,942	$129,179
Medicaid Grants to States:			
Medical Assistance Payments	$38,989	$50,179	$65,359
State & Local Administration	2,114	2,354	2,468
Total	$41,103	$52,533	$67,827
Administration:			
Program Management	$1,706	$1,923	$2,114
Peer Review Organizations	237	277	232
Social Security Administration	573	558	663
Other Non-HCFA Federal	50	86	90
Clinical Laboratory Improvement	.....	.....	4
Total	$2,566	$2,844	$3,102
Total Program Outlays	$150,840	$169,319	$200,108

TOTAL ENROLLEES

(Persons in Millions)	FY 1990	FY 1991	FY 1992
Medicare	34.0	34.7	35.3
Medicaid	25.3	28.2	30.8
Total	59.3	62.9	66.1

Total includes persons enrolled in both programs.

MEDICARE BENEFITS

(Dollars in Millions)	FY 1990	FY 1991	FY 1992
HI:			
Inpatient Hospital	$58,974	$60,775	$69,007
Skilled Nursing Facility	2,781	2,459	3,692
Home Health	3,646	4,787	7,077
Hospice	320	465	808
Total	$65,721	$68,486	$80,584
SMI:			
Physician	$28,938	$31,049	$32,304
Outpatient	8,357	9,232	10,671
Group Practice	2,649	3,411	3,810
Independent Laboratory	1,424	1,700	1,735
Other	82	64	75
Total	$41,450	$45,456	$48,595
Total Benefit Outlays	$107,171	$113,942	$129,179

MEDICARE ENROLLEES

(Persons in Millions)	FY 1990	FY 1991	FY 1992
HI:			
Aged	29.8	30.5	30.9
Disabled	3.3	3.4	3.6
Total	33.1	33.8	34.4
SMI:			
Aged	29.4	29.9	30.4
Disabled	2.9	3.0	3.2
Total	32.3	32.9	33.5

HOSPITAL INSURANCE TRUST FUND PROJECTIONS *(Dollars in Billions)*

Calendar Year	Total Income	Total Disbursements	Net Increase in Fund	Fund At End of Year	Ratio: Assets to Disbursements
1991	$88.8	$72.6	$16.3	$115.2	136%
1992	92.7	79.4	13.3	128.5	145%
1993	98.5	86.4	12.1	140.7	149%
1994	104.4	95.5	8.9	149.6	147%
1995	110.1	105.5	4.6	154.2	142%
1996	116.2	117.4	(1.1)	153.0	131%
1997	122.1	129.2	(7.0)	146.0	118%
1998	128.1	141.6	(13.5)	132.5	103%
1999	133.9	155.2	(21.3)	111.2	85%
2000	139.8	170.0	(30.2)	81.0	65%
2001	145.5	184.5	(39.0)	42.0	44%
2002	$149.0	$200.3	($51.3)	($4.0)	21%

Reflects intermediate actuarial assumptions of the 1992 Annual Report of the Trustees of the HI Trust Fund.

SUPPLEMENTARY MEDICAL INSURANCE TRUST FUND PROJECTIONS *(Dollars in Billions)*

Calendar Year	Enrollee Premiums	Other Income	Total Income	Total Disbursements	Fund At End of Year
1991	$11.9	$41.1	$53.0	$48.8	$17.9
1992	12.9	39.0	51.9	56.2	13.6
1993	15.1	48.4	63.4	63.6	13.4
1994	17.2	54.5	71.7	71.8	13.3
1995	19.6	63.1	82.7	81.4	14.6
1996	20.6	73.3	93.9	92.4	16.1
1997	21.6	84.7	106.3	104.6	17.8
1998	22.7	97.6	120.3	118.4	19.7
1999	23.9	112.5	136.3	134.2	21.8
2000	25.0	129.8	154.9	152.4	24.3
2001	$26.3	$149.9	$176.2	$173.3	$27.1

Reflects intermediate actuarial assumptions of the 1992 Annual Report of the Trustees of the SMI Trust Fund.

MEDICARE PEER REVIEW ORGANIZATION COSTS

(Dollars in Millions)	FY 1990	FY 1991	FY 1992
Obligations	$268	$55	$190
Outlays	$237	$277	$232

MEDICARE PRO REVIEWS AND DENIALS

	FY 1990	FY 1991	FY 1992
Cases Reviewed:			
Retrospective	2,114,604	2,195,810	1,470,664
Ambulatory	214,041	275,312	139,595
Preadmission	2,367,889	2,395,860	33,641
Total	4,696,534	4,866,982	1,643,900
Cases Denied:			
Retrospective	52,261	51,173	34,316
Ambulatory	2,295	3,130	1,478
Preadmission	6,055	5,467	1,363
Total	60,611	59,770	37,157

SELECTED MEDICARE INDICATORS

	FY 1990	FY 1991	FY 1992
Hospital Admissions	10.2 mil	10.4 mil	11.1 mil
Benefits Per Admission	$5,515	$5,869	$6,262
SNF Days Per Enrollee	0.9	0.7	0.8
SNF Benefits Per Day	$101	$103	$137
HHA Visits Per Enrollee	1.9	2.2	3.7
HHA Benefits Per Visit	$64	$69	$59

MEDICAID OUTLAYS

(Dollars in Millions)	FY 1990	FY 1991	FY 1992
State Outlays:			
Medical Assistance	$29,540	$40,269	$48,466
Administration	1,502	1,723	1,873
Total State	$31,042	$41,992	$50,339
Federal Outlays:			
Medical Assistance	$38,989	$50,179	$65,359
Administration	2,114	2,354	2,468
Total Federal	$41,103	$52,533	$67,827
Total Outlays	$72,145	$94,525	$118,166

MEDICAID MEDICAL ASSISTANCE BY SERVICE

(Dollars in Billions)	FY 1990	FY1991	FY 1992
Inpatient Hospital	$17.5	$25.7	$37.5
Nursing Facility	18.0	20.8	24.3
ICF/Mentally Retarded	7.6	8.2	8.7
Prescription Drugs	4.6	5.6	7.1
Physician	4.3	5.4	6.7
Health Insurance	3.5	4.5	5.7
Outpatient	3.3	4.3	5.5
Mental Health	1.8	2.3	4.9
Home Health	2.7	3.2	3.6
Clinic	1.4	1.7	2.2
Other	4.0	8.8	9.5
Total Expenditures	$68.7	$90.5	$115.9
Total Outlays	$68.5	$90.4	$113.8

Combined State and Federal Medical Assistance Payments.

MEDICAID FEDERAL MEDICAL ASSISTANCE BY STATE *(Dollars in Millions)*

	Federal Match	Matching Rate		Federal Match	Matching Rate
Alabama	$1,097	72.9%	Nevada	$183	50.0%
Alaska	106	50.0%	New Hampshire	553	50.0%
American Samoa	1	50.0%	New Jersey	2,277	50.0%
Arizona	735	62.5%	New Mexico	390	74.3%
Arkansas	700	75.7%	New York	9,463	50.0%
California	5,839	50.0%	North Carolina	1,623	66.5%
Colorado	545	54.8%	North Dakota	179	72.8%
Connecticut	1,123	50.0%	N. Mariana Islands	0	50.0%
Delaware	110	50.0%	Ohio	2,892	60.6%
D.C.	293	50.1%	Oklahoma	734	70.7%
Florida	2,231	54.7%	Oregon	511	63.6%
Georgia	1,514	61.8%	Pennsylvania	3,513	56.8%
Guam	2	50.0%	Puerto Rico	74	50.0%
Hawaii	180	52.6%	Rhode Island	414	53.3%
Idaho	195	73.2%	South Carolina	1,092	72.7%
Illinois	2,114	50.0%	South Dakota	174	72.6%
Indiana	1,418	63.9%	Tennessee	1,607	68.4%
Iowa	575	65.0%	Texas	3,920	64.2%
Kansas	539	59.2%	Utah	315	75.1%
Kentucky	1,323	72.8%	Vermont	154	61.4%
Louisiana	2,503	75.4%	Virginia	795	50.0%
Maine	454	62.4%	Virgin Islands	2	50.0%
Maryland	978	50.0%	Washington	1,109	55.0%
Massachusetts	2,076	50.0%	West Virginia	723	77.7%
Michigan	2,122	55.4%	Wisconsin	1,206	60.4%
Minnesota	1,046	54.4%	Wyoming	$83	69.1%
Mississippi	857	80.0%			
Missouri	1,411	60.8%			
Montana	192	71.7%	Total Expenditures	$66,571	
Nebraska	$305	64.5%	Total Outlays	$65,359	

MEDICAID ENROLLEES

	FY 1990	FY 1991	FY 1992
(Persons in Millions)			
Needy Adults	6.1	6.8	7.4
Needy Children	11.1	13.0	14.4
Disabled	3.8	4.1	4.6
Elderly	3.5	3.4	3.6
Other	0.9	0.9	0.8
Total	25.3	28.2	30.8

HCFA PROGRAM MANAGEMENT OBLIGATIONS

	FY 1990	FY 1991	FY 1992
(Dollars in Millions)			
Research	$50	$71	$76
Medicare Contractors	1,356	1,495	1,524
State Certification	93	143	150
Administrative Costs	336	306	331
Total Obligations	$1,835	$2,014	$2,081

MEDICARE CONTRACTOR OBLIGATIONS

	FY 1990	FY 1991	FY 1992
(Dollars in Millions)			
Claims Processing	$729	$824	$832
Payment Safeguards	346	363	343
Beneficiary/Provider Services	190	216	225
Productivity Investments	63	65	96
Participating Physicians	29	28	29
Total Obligations	$1,356	$1,495	$1,524

MEDICARE PAYMENT SAFEGUARDS

	FY 1990	FY 1991	FY 1992
(Dollars in Millions)			
Investments	$345	$353	$349
Savings:			
Medicare Secondary Payer	$2,483	$2,600	$2,810
Provider Audit	1,692	1,698	974
Medical & Utilization Review	1,140	1,459	1,382
Fraud & Abuse	....	.....	80
Total Savings	$5,315	$5,757	$5,246

MEDICARE CLAIMS WORKLOAD

	FY 1990	FY 1991	FY 1992
(Claims in Millions)			
In Process, Start of Year	11.6	14.6	14.4
New Claims Received	541.0	600.8	647.3
Claims Processed	537.1	599.3	651.4
In Process, End of Year	14.6	14.4	12.3

MEDICARE CLAIMS PROCESSING MEASURES

	FY 1990	FY 1991	FY 1992
Claims Submitted Electronically:			
Part A	74%	76%	81%
Part B	36%	41%	50%
Average Processing Time (Days):			
Part A	15.7	18.2	17.1
Part B	15.7	16.9	16.3
Processing Unit Costs:			
Part A	$3.29	$3.01	$2.80
Part B	$1.90	$1.86	$1.71

MEDICARE STATE CERTIFICATION, FY 1992	Facilities	Surveys	Coverage
SNF (Medicare Only)	832	863	104%
SNF (Medicare/Medicaid)	9,872	10,241	104%
Hospital (Non-Accredited)	1,341	863	64%
Hospital (Accredited)	5,110	2,465	48%
Home Health Agency	6,285	5,505	88%
ESRD Facility	2,290	1,509	66%
Hospice	1,166	728	62%
Other	9,916	5,838	59%
Total	36,812	28,012	76%

MEDICARE STATE CERTIFICATION MEASURES	FY 1990	FY 1991	FY 1992
Facilities Cited for Deficiencies:			
Condition-Level Deficiencies	4,875	1,802	1,638
Standard-Level Deficiencies	16,174	15,752	18,087
As Percent of Facilities Surveyed:			
Condition-Level Deficiencies	18%	7%	6%
Standard-Level Deficiencies	61%	58%	65%

HMO LOAN AND LOAN GUARANTEE FUND	Loans Receivable	Outstanding Loans
(Dollars in Millions)		
FY 1986	$99.3	121
FY 1987	$91.3	116
FY 1988	$81.6	98
FY 1989	$76.2	96
FY 1990	$62.4	88
FY 1991	$53.2	83
FY 1992	$32.0	59

FEDERAL MANAGERS FINANCIAL INTEGRITY ACT

In fiscal year 1992, as in each of the past ten years, HCFA completed the risk assessments, management control and systems reviews, and corrective action plan development prescribed by the Federal Managers Financial Integrity Act (FMFIA). The FMFIA process is designed to identify management inefficiencies and areas vulnerable to fraud and abuse.

HCFA's new Financial Accounting Control System, installed in fiscal year 1991, was included in this year's review and was found to meet all FMFIA requirements.

Although HCFA is in compliance with the FMFIA, there are two "high risk areas" requiring improvement. Three new "material weaknesses" were identified in FY 1992.

High Risk Areas

Medicare Secondary Payer. HCFA is actively pursuing several initiatives to improve the MSP program, which was identified as a high risk area in 1989. In spite of demonstrated progress in this area, however, the Office of Management and Budget has determined that more effective systems are necessary to prevent inappropriate primary payments by Medicare, manage the backlog of recoveries, and establish awareness of accounts receivable.

Medicaid Program Data. Since its identification as a high risk area in 1991, HCFA has taken steps to improve the accuracy and timeliness of data for Medicaid budget estimation by developing a continuously updated, State-by-State electronic database. However, additional progress must be made, particularly in resolving data discrepancies.

Material Weaknesses

Medicare Credit Balances. Provider billing practices and errors in the Medicare bill processing systems contribute to an ongoing problem of improper payments to providers. HCFA has taken steps to recover these outstanding program funds and improve the Medicare bill processing systems.

Paperwork Reduction Act Compliance. HCFA has taken action to either terminate expired information collection and record keeping items, or request reinstatement of approval from the Office of Management and Budget.

Medicaid Eligibility Quality Control Program. The MEQC program is designed to ensure that Federal Medicaid funds are not misspent as a result of erroneous Medicaid eligibility determinations by States. This program will be redesigned to allow recovery of misspent Federal funds and further encourage State action.

Additional FY 1992 Progress

In FY 1992, HCFA was successful in clearing up one High Risk Area, *Medicare Payment Safeguards*, reported in 1989, and five Material Weaknesses:

Medicare Contracting (reported in 1989). HCFA developed procedures, trained employees and reorganized the Medicare Contractor function to strengthen internal controls and the procurement process.

Less-than-Effective Drugs (reported in 1990). HCFA took appropriate steps to prevent Medicaid reimbursement to State agencies for purchases of less-than-effective medications, or identical, related or similar drugs.

Contractor Acquisitions under the Brooks Act (reported in 1991). To achieve compliance with the Brooks Act, HCFA obtained delegations of procurement authority for data resources used by Medicare Fiscal Intermediaries and Carriers and developed a process for including Medicare Contractors in the information resource management planning process.

Cost Allocation (reported in 1990). HCFA changed the agency's cost allocation methodology for HCFA administrative costs, switching to an employee output-based method rather than the previous staff time-based approach. HCFA achieved more accuracy in identifying and documenting funding sources.

Prepaid Plan Cost Reports (reported in 1992). HCFA developed procedures to lower the incidence of late cost report filings by health maintenance organizations and other prepaid health plans.

STATEMENT OF ACCOUNT FOR HI TRUST FUND INVESTMENTS

DESCRIPTION OF HOLDINGS AS OF SEPTEMBER 30, 1992

U.S. TREASURY SPECIAL ISSUES

Certificates of Indebtedness:	Amount Issued	Less Amount Retired	Net Amount Outstanding
6-5/8% maturing June 30, 1992	$ 7,465,418,000	$ 6,618,763,000	$846,655,000
6-3/4% maturing June 30, 1992	$ 6,193,991,000	$ 6,193,991,000	0
Total Certificates of Indebtedness	**$13,659,409,000**	**$12,812,754,000**	**$846,655,000**

Bonds	Amount Issued	Less Amount Retired	Net Amount Outstanding
13-3/4% due June 30, 1999	$850,544,000	$0	$850,544,000
13-3/4% due June 30, 1998	$262,134,000	$0	$262,134,000
13-1/4% due June 30, 1997	$1,450,129,000	$0	$1,450,129,000
13-1/4% due June 30, 1996	$272,853,000	$0	$272,853,000
13-1/4% due June 30, 1995	$272,853,000	$0	$272,853,000
13-1/4% due June 30, 1994	$272,853,000	$0	$272,853,000
13% due June 30, 1996	$1,177,276,000	$0	$1,177,276,000
13% due June 30, 1995	$197,606,000	$0	$197,606,000
13% due June 30, 1994	$197,606,000	$0	$197,606,000
13% due June 30, 1993	$197,606,000	$0	$197,606,000
10-3/4% due June 30, 1998	$588,410,000	$0	$588,410,000
10-3/8% due June 30, 2000	$1,277,566,000	$0	$1,277,566,000
10-3/8% due June 30, 1999	$427,022,000	$0	$427,022,000
10-3/8% due June 30, 1998	$427,022,000	$0	$427,022,000
9-3/4% due June 30, 1995	$979,670,000	$0	$979,670,000
9-3/4% due June 30, 1994	$130,210,000	$0	$130,210,000
9-3/4% due June 30, 1993	$130,210,000	$0	$130,210,000
9-1/4% due June 30, 2003	$4,229,944,000	$0	$4,229,944,000
9-1/4% due June 30, 2002	$1,034,542,000	$0	$1,034,542,000
9-1/4% due June 30, 2001	$1,034,542,000	$0	$1,034,542,000
9-1/4% due June 30, 2000	$1,034,542,000	$0	$1,034,542,000
9-1/4% due June 30, 1999	$1,034,542,000	$0	$1,034,542,000
9-1/4% due June 30, 1998	$1,034,541,000	$0	$1,034,541,000
9-1/4% due June 30, 1997	$1,034,541,000	$0	$1,034,541,000
9-1/4% due June 30, 1996	$1,034,541,000	$0	$1,034,541,000
9-1/4% due June 30, 1995	$1,034,541,000	$0	$1,034,541,000
9-1/4% due June 30, 1994	$1,034,541,000	$0	$1,034,541,000
9-1/4% due June 30, 1993	$1,034,541,000	$0	$1,034,541,000
8-3/4% due June 30, 2005	$6,415,695,000	$0	$6,415,695,000
8-3/4% due June 30, 2004	$6,415,695,000	$0	$6,415,695,000
8-3/4% due June 30, 2003	$2,185,751,000	$0	$2,185,751,000
8-3/4% due June 30, 2002	$2,185,751,000	$0	$2,185,751,000
8-3/4% due June 30, 2001	$2,185,751,000	$0	$2,185,751,000
8-3/4% due June 30, 2000	$2,185,751,000	$0	$2,185,751,000
8-3/4% due June 30, 1999	$2,185,751,000	$0	$2,185,751,000
8-3/4% due June 30, 1998	$2,185,752,000	$0	$2,185,752,000
8-3/4% due June 30, 1997	$2,185,752,000	$0	$2,185,752,000
8-3/4% due June 30, 1996	$2,185,752,000	$0	$2,185,752,000
8-3/4% due June 30, 1995	$185,752,000	$0	$2,185,752,000
8-3/4% due June 30, 1994	$3,035,212,000	$0	$3,035,212,000
8-3/4% due June 30, 1993	$2,309,049,000	$0	$2,309,049,000
8-5/8% due June 30, 2002	$3,195,402,000	$0	$3,195,402,000
8-5/8% due June 30, 2001	$686,250,000	$0	$686,250,000
8-5/8% due June 30, 2000	$686,250,000	$0	$686,250,000
8-5/8% due June 30, 1999	$686,250,000	$0	$686,250,000
8-5/8% due June 30, 1998	$686,251,000	$0	$686,251,000
8-5/8% due June 30, 1997	$686,251,000	$0	$686,251,000
8-5/8% due June 30, 1996	$686,250,000	$0	$686,250,000
8-5/8% due June 30, 1995	$686,250,000	$0	$686,250,000
8-5/8% due June 30, 1994	$686,250,000	$0	$686,250,000
8-5/8% due June 30, 1993	$686,250,000	$0	$686,250,000
8-3/8% due June 30, 2001	$2,509,152,000	$0	$2,509,152,000
8-3/8% due June 30, 2000	$1,231,586,000	$0	$1,231,586,000
8-3/8% due June 30, 1999	$1,231,586,000	$0	$1,231,586,000
8-3/8% due June 30, 1998	$1,231,586,000	$0	$1,231,586,000
8-3/8% due June 30, 1997	$1,059,023,000	$0	$1,059,023,000
8-3/8% due June 30, 1996	$1,059,024,000	$0	$1,059,024,000
8-3/8% due June 30, 1995	$1,059,024,000	$0	$1,059,024,000
8-3/8% due June 30, 1994	$1,059,024,000	$0	$1,059,024,000
8-3/8% due June 30, 1993	$1,162,901,000	$582,544,000	$580,357,000
8-1/4% due June 30, 1993	$622,286,000	$622,286,000	$0
8-1/8% due June 30, 2006	$7,316,968,000	$0	$7,316,968,000
8-1/8% due June 30, 2005	$901,273,000	$0	$901,273,000
8-1/8% due June 30, 2004	$901,273,000	$0	$901,273,000
8-1/8% due June 30, 2003	$901,273,000	$0	$901,273,000
8-1/8% due June 30, 2002	$901,274,000	$0	$901,274,000
8-1/8% due June 30, 2001	$901,274,000	$0	$901,274,000
8-1/8% due June 30, 2000	$901,274,000	$0	$901,274,000
8-1/8% due June 30, 1999	$901,274,000	$0	$901,274,000
8-1/8% due June 30, 1998	$901,273,000	$0	$901,273,000
8-1/8% due June 30, 1997	$901,273,000	$0	$901,273,000
8-1/8% due June 30, 1996	$901,273,000	$0	$901,273,000
8-1/8% due June 30, 1995	$901,273,000	$0	$901,273,000
8-1/8% due June 30, 1994	$901,273,000	$0	$901,273,000
8-1/8% due June 30, 1993	$901,273,000	$901,273,000	$0
7-3/8% due June 30, 2007	$8,184,929,000	$0	$8,184,929,000
7-3/8% due June 30, 2006	$867,961,000	$0	$867,961,000
7-3/8% due June 30, 2005	$867,961,000	$0	$867,961,000
7-3/8% due June 30, 2004	$867,961,000	$0	$867,961,000
7-3/8% due June 30, 2003	$867,961,000	$0	$867,961,000
7-3/8% due June 30, 2002	$867,960,000	$0	$867,960,000
7-3/8% due June 30, 2001	$867,960,000	$0	$867,960,000
7-3/8% due June 30, 2000	$867,961,000	$0	$867,961,000
7-3/8% due June 30, 1999	$867,961,000	$0	$867,961,000
7-3/8% due June 30, 1998	$867,961,000	$0	$867,961,000
7-3/8% due June 30, 1997	$867,961,000	$0	$867,961,000
7-3/8% due June 30, 1996	$867,961,000	$0	$867,961,000
7-3/8% due June 30, 1995	$867,961,000	$0	$867,961,000
7-3/8% due June 30, 1994	$867,961,000	$0	$867,961,000
7-3/8% due June 30, 1993	$867,961,000	$867,961,000	0
Total Bonds	**$122,773,943,000**	**$2,974,064,000**	**$119,799,879,000**
Total U.S. Treasury Special Issues	**$136,433,352,000**	**$15,786,818,000**	**$120,646,534,000**

SOURCE: DEPARTMENT OF THE TREASURY
FINANCIAL MANAGEMENT SERVICE
FUNDS MANAGEMENT DIVISION
FUNDS ACCOUNTING BRANCH

STATEMENT OF ACCOUNT FOR SMI TRUST FUND INVESTMENTS

DESCRIPTION OF HOLDINGS AS OF SEPTEMBER 30, 1992

U.S. TREASURY SPECIAL ISSUES

Certificates of Indebtedness:	Amount Issued	Less Amount Retired	Net Amount Outstanding
6-5/8% maturing June 30, 1993	$ 3,068,023,000	$ 3,068,023,000	$0
6-3/4% maturing June 30, 1993	$ 4,567,985,000	$ 4,567,985,000	$0
7-1/8% maturing June 30, 1993	$ 4,957,988,000	$ 4,957,988,000	$0
Total Certificates of Indebtedness	**$12,593,996,000**	**$12,593,996,000**	**$0**

Bonds	Amount Issued	Less Amount Retired	Net Amount Outstanding
13-3/4% due June 30, 1999	$567,103,000	$0	$567,103,000
13-3/4% due June 30, 1998	$110,114,000	$0	$110,114,000
13-3/4% due June 30, 1997	$110,115,000	$0	$110,115,000
13-3/4% due June 30, 1996	$110,115,000	$0	$110,115,000
13-3/4% due June 30, 1995	$110,115,000	$0	$110,115,000
13-3/4% due June 30, 1994	$110,115,000	$0	$110,115,000
13-1/4% due June 30, 1997	$368,928,000	$0	$368,928,000
13-1/4% due June 30, 1996	$368,928,000	$0	$368,928,000
13-1/4% due June 30, 1995	$253,926,000	$0	$253,926,000
13-1/4% due June 30, 1994	$42,201,000	$0	$42,201,000
10-3/4% due June 30, 1998	$456,989,000	$0	$456,989,000
10-3/4% due June 30, 1997	$88,061,000	$0	$88,061,000
10-3/4% due June 30, 1996	$88,061,000	$0	$88,061,000
10-3/4% due June 30, 1995	$88,060,000	$0	$88,060,000
10-3/4% due June 30, 1994	$88,060,000	$0	$88,060,000
10-3/8% due June 30, 2000	$733,187,000	$0	$733,187,000
10-3/8% due June 30, 1999	$166,084,000	$0	$166,084,000
10-3/8% due June 30, 1998	$166,084,000	$0	$166,084,000
10-3/8% due June 30, 1997	$166,083,000	$0	$166,083,000
10-3/8% due June 30, 1996	$166,083,000	$0	$166,083,000
10-3/8% due June 30, 1995	$166,083,000	$0	$166,083,000
10-3/8% due June 30, 1994	$97,688,000	$0	$97,688,000
9-3/4% due June 30, 1995	$115,003,000	$0	$115,003,000
8-3/4% due June 30, 2005	$991,433,000	$0	$991,433,000
8-3/4% due June 30, 2004	$991,433,000	$0	$991,433,000
8-3/4% due June 30, 2003	$991,433,000	$0	$991,433,000
8-3/4% due June 30, 2002	$991,433,000	$0	$991,433,000
8-3/4% due June 30, 2001	$547,163,000	$0	$547,163,000
8-3/4% due June 30, 2000	$258,246,000	$0	$258,246,000
8-3/4% due June 30, 1999	$258,246,000	$0	$258,246,000
8-3/4% due June 30, 2003	$991,433,000	$0	$991,433,000
8-3/4% due June 30, 1998	$258,247,000	$0	$258,247,000
8-3/4% due June 30, 1997	$258,247,000	$0	$258,247,000
8-3/4% due June 30, 1996	$258,247,000	$0	$258,247,000
8-3/4% due June 30, 1995	$258,247,000	$0	$258,247,000
8-3/4% due June 30, 1994	$398,322,000	$0	$398,322,000
8-3/8% due June 30, 2001	$444,270,000	$0	$444,270,000
8-1/8% due June 30, 2006	$1,218,813,000	$0	$1,218,813,000
8-1/8% due June 30, 2005	$227,380,000	$0	$227,380,000
8-1/8% due June 30, 2004	$227,381,000	$0	$227,381,000
8-1/8% due June 30, 2003	$227,381,000	$0	$227,381,000
8-1/8% due June 30, 2002	$227,381,000	$0	$227,381,000
8-1/8% due June 30, 2001	$227,381,000	$0	$227,381,000
8-1/8% due June 30, 2000	$227,381,000	$0	$227,381,000
8-1/8% due June 30, 1999	$227,381,000	$0	$227,381,000
8-1/8% due June 30, 1998	$227,380,000	$0	$227,380,000
8-1/8% due June 30, 1997	$227,380,000	$0	$227,380,000
8-1/8% due June 30, 1996	$227,380,000	$0	$227,380,000
8-1/8% due June 30, 1995	$227,380,000	$0	$227,380,000
7-3/8% due June 30, 2007	$1,293,107,000	$0	$1,293,107,000
7-3/8% due June 30, 2006	$74,295,000	$0	$74,295,000
7-3/8% due June 30, 2005	$74,295,000	$0	$74,295,000
7-3/8% due June 30, 2004	$74,294,000	$0	$74,294,000
7-3/8% due June 30, 2003	$74,294,000	$0	$74,294,000
7-3/8% due June 30, 2002	$74,294,000	$0	$74,294,000
7-3/8% due June 30, 2001	$74,294,000	$0	$74,294,000
7-3/8% due June 30, 2000	$74,294,000	$0	$74,294,000
7-3/8% due June 30, 1999	$74,294,000	$0	$74,294,000
7-3/8% due June 30, 1998	$74,294,000	$0	$74,294,000
7-3/8% due June 30, 1997	$74,294,000	$0	$74,294,000
7-3/8% due June 30, 1996	$74,294,000	$0	$74,294,000
7-3/8% due June 30, 1995	$74,294,000	$0	$74,294,000
7-3/8% due June 30, 1994	$556,722,000	$0	$556,722,000
7-3/8% due June 30, 1993	$1,293,108,000	$862,806,000	$430,302,000
Total Bonds	**$19,396,619,000**	**$862,806,000**	**$18,533,813,000**
Total U.S. Treasury Special Issues	**$31,990,615,000**	**$13,456,802,000**	**$18,533,813,000**

SOURCE: DEPARTMENT OF THE TREASURY
FINANCIAL MANAGEMENT SERVICE
FUNDS MANAGEMENT DIVISION
FUNDS ACCOUNTING BRANCH

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U.S. Department of Health and Human Services

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Health Care Financing Administration

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Robert A. Streimer, Associate Administrator for Management and Chief Financial Officer

Lee Mosedale, Director, Office of Budget and Administration

Gerald M. Hankin, Director, Division of Accounting

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